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Sustainability of Pacific Online Limited (PCO)

As a provider of the

Multiple Vertical Web Sites (MVWS) in China

Submitted by

Lam, Wai Yan

A Research Project Submitted to Middlesex University in Partial Fulfilment of the
Requirements for the Degree of Doctorate in Professional Studies.

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ABSTRACT

In the past twenty years, China has undergone tremendous changes on all fronts: Economics, Commerce, Market, Technology, Society and People's livelihood. With the changes has also come the challenge in terms of the management issues in both society and business. This thesis is an account of my experience in the management of the Pacific Online Limited (PCO) using the Multiple Vertical Web Sites (MVWS) business model told through an auto-ethnographic methodology. My purpose is to understand the key factors that will sustain PCO, its use of the MVWS business model and to present to the PCO Board my recommendations to take the company forward.

In 2007, PCO was listed on the Hong Kong Stock Exchange (stock number: 543) with six vertical web sites. PCO was further expanded to seven vertical web sites in 2010 and as of July 29th, 2013, the market value of PCO was HK\$3.7 Billion (GB£310.7 Million).

Specifically, this research project will examine the topics of the interdependence of "Cooperation and Competition" in PCO; particularly on "how to foster the sharing and learning culture in PCO" and managing PCO which requires both cooperation and competition among management and employees in the company. In pursuit of this I will consider how to develop the PCO's web sites and their dependence on the sharing and collaboration between business units at PCO which will also be studied and discussed.

I have successfully completed this investigation and reported key findings to the PCO's Board, These have been accepted and are in summary:

1. We have to tailor different reward schemes for employees in different vertical web sites as the maturity and growth potential of business units at PCO are at different stages and require different strategies,

2. We have to encourage the sharing of knowledge across business units,
3. Today, we have high employee turnover. Even though this is quite common in our industry in China, we have to find a way to retain our talented employees by providing career opportunities and advancements which will motivate and encourage them to stay with PCO,
4. We have to develop deeper information content and services in order to match PCO's user needs and lifestyles. By analysing information on our user base, we could address the needs of users based on interest according to their lifestyles and life events such as decorating their homes, buying a home, buying a car, having a baby, dressing up and looking trendy and fashionable, buying or upgrading their computers or playing the latest games online.

Langeveld (1965) as cited in Bell (2010: p. 584/4416) suggests that the aim of social research is not only to know facts and to understand relations for the sake of knowledge, these researchers want to know and understand in order to be able to act and perform better than they did in the past.

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I also want to thank Professor Steven Li for his advice and help right from the start. His guidance and help has given me the needed encouragement to complete my research.

When an autoethnographic approach was chosen for this research project, I was thankful to have Dr Daniel Doherty who gave me his advice so readily. His advice and help steered me to the right path and have helped enormously.

Lastly, I want to thank Dr Tony Wo for his encouragement and advice.

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Chapter 1 INTRODUCTION

1.1 My Background

I came back to Hong Kong from the United States in 1976, a fresh graduate with a degree in Metallurgical Engineering. At that time Hong Kong was reviving from the global oil crisis and suitable jobs were difficult to find. I took on a job that did not quite match with my academic background and interest; a broker in commodities. That started my career for the next 16 years in the financial investment field.

In 1979, I started out as a trainee and later became the Vice President of a larger investment firm in Hong Kong, Dean Witter Reynolds Inc., Hong Kong. That experience enabled me not only to learn about the financial markets, but also about individual companies. From the detailed analysis of companies, I learned some common core elements companies need to have to succeed, these are - vision, strategy, ability to manage risks and costs, proper execution and firm commitment to human resource as the most important asset of an organisation. In 1984, I was transferred to Dean Witter Reynolds' Headquarters in New York. As the Vice President of the futures division, my main job was to deal with Japanese corporations and banks and to advise them on how to use the futures markets to hedge against their physical positions. There are two things that I valued the most from that experience - firstly, the chance to deal directly with big corporations which raised my vision of the world and secondly, it was during this time that I conceived the idea of having a fund for commodity futures, in the same way as mutual funds for securities. This was an innovative idea.

From 1986 - 1989, I was the company's Executive Director, and was stationed in Hong Kong. In 1987, the big market crash dealt a heavy blow to my clients as well as Dean Witter Reynolds. As the world moves between highs and lows, these crises are

bound to happen - and nobody can know for sure exactly when they will happen. The need to exercise caution and manage risk properly is most important for the long-term survival of a company. However, there are two sides to a coin - the amount of risk to take is often a big issue and a difficult decision for senior management. There are some risks one must take (otherwise the consequences can be even worse) and there are some that are too risky - where I draw the line depends on the risk averseness of the individual and astuteness gathered through experience. At the same time, there are external factors that are beyond the control of any individual, and one can only control oneself and those around him to a certain extent.

Dean Witter Reynolds was later merged with Morgan Stanley and named Morgan Stanley Dean Witter. The name was later simplified to Morgan Stanley. I consider those five years, from 1984 to 1989, a great experience as they built up my skills in financial investment and in management, as well as my confidence in the business world.

From 1989 to 1991, I was the Managing Director of Credit Lyonnais Securities (Asia) in Taiwan where I set up an office. That was my first experience in setting up a business from scratch, and it was valuable in the sense that I had to prepare a feasibility study for it, and the actual organizing of the start-up included two kinds of experience that I was able to apply to my investments in China later on. In 1990, the Taiwan stocks index crashed from the peak at the 12,000 level to below 1,000. Again, I saw how businesses and their people suffered from the volatility of the stock markets. That also included the volatility of my career as a top-level executive with investment firms.

In 1991, I went back to work for Morgan Stanley in Hong Kong as Vice President and Director. At the same time, I was contemplating a serious career change away from the financial investment field.

My sixteen-years of experience in the financial investment field taught me lessons and provided me with knowledge regarding the reasons for the success and failure of companies. I went on to apply what I had learned from my time in these companies into my later investments in the computer malls and Web site businesses, to create business models based on the successful companies I came to know. In particular, I believe I learned how to manage risk more effectively. This is particularly useful in the multiple Web sites business where speedy changes in technology and in the market place expose the company to great risks and uncertainties which require astute decisions to be made in major investments.

A career in financial investment is highly affected by the cyclical swings of the financial markets. As a top-level executive in the financial investment field, I was responsible for expanding sales as the trading volumes of financial vehicles increased, often to the detriment of the investment company itself. I, therefore, decided to make a career change to do something that was more stable and less susceptible to the state of the economy; and become involved in a type of business with potential for sustained growth.

At that time, China was experiencing rapid and continuous growth. This is not to suggest there were no problems in doing business in China. As the popular saying goes, “Everything can be done in China, but nothing is easy”. However, I was willing to take up the challenge.

With my background in commodities trading, trying out again in the trade I had some familiarity with seemed to be a convenient route to take, although I was aware of the dangers of the financial investment field. That was my mistake - doing something out of old habits and not something safe and sound. In 1993, I became connected with someone from a Chinese state-owned enterprise who promised to obtain the license to operate a commodities trading house, if I could put up the capital. Knowing that relationships are

important to doing business in China, I thought that things were going smoothly when I was assured of the issuance of the license, and so money changed hands for various transactions, but often at unjustifiably high expense. When the commodity trading license was eventually issued, what I received was a “license” but with questionable legality in China. I decided, therefore, that it was time to cut the loss, forget about the commodity trading company, and let the business fold. I was ruined financially but learned the most important lesson of doing business in China: When operating in an unfamiliar environment, one has to keep a tight control of the finance.

1.2 **The Launch of the Pacific Computer Malls Company Limited & PCO in China**

In 1994, when I saw a huge market in the sales of personal computers creeping up in China, I raised capital through friends and past clients and started the Pacific Computer Malls Company Limited. I set up my first IT Mall in Guangzhou City, leasing out spaces to those retailing personal computers and IT products. After my last failed attempt in the commodities trading business, I knew that I had to plan and act with caution. Careful research and feasibility studies on many aspects were conducted, such as forecasting sales, pricing, mall design and operational matters. It was a success and now the name of Pacific IT Mall is a well-known name in the cities we operate. I have two malls in Guangzhou, three in Shanghai and one in Beijing. The mall business is successful as I can charge a premium on the rentals with close to full occupancy. I attribute the success of the mall business to my early market entry and good management. The success is also partially helped by the vertical web site of PConline Company.

In 1997, while operating the six IT Malls, I had the idea of providing information about personal computers and IT products through the use of the Internet. The notion was that people wanted information about what to buy, where to buy and at what price, for a relatively expensive and complicated product such as a personal computer. I saw first-hand the need to provide better and timely information about Personal Computers to aid Chinese consumers and companies. Back then, the prices of Personal Computers and their accessories were printed in a catalogue equal to the thickness of the New York City yellow pages phone book. Information was frequently out-of-date by the time the catalogues reached their consumers. Therefore, pricing information required frequent updates and, producing and distributing these catalogues was costly and ineffective. , Observing this led to me devising the idea of the 3 Ws (Which, What, Where) for the Personal Computer market in China.

- The first W: Which Personal Computer to buy?
- The second W: What is the price?
- The third W: Where to buy it?

I thought this would be much more effective, especially if I could put the information about the three Ws on Internet and let the consumers search for the information themselves. Furthermore, I could keep the catalogue current by updating it on the web as soon as the information became available. It seems to be a very simple idea now but back in 1998, the use of the Internet in China was in its infancy and the sales of Personal Computer in 1996-1999 was estimated to be only 3.2 million units (Press Foster & Goodman, 2003:49).

The Internet provides such convenience for accessing comprehensive and updated information at home or in the office. Basically, it was clear that the Internet would provide

the following advantages over the print media: (1) It is cheaper (no printing cost) and the content can be infinitely larger; (2) It is easy to update and easy to access; (3) The content on Internet can reach people faster and wider (nation-wide) instantly. I realised that it would be a new way to help tenants in the computer malls to reach their customers and for the manufacturers to create brand loyalty among the retailers and customers. Initially, I used the Internet to set up a simple information system to provide price quotations for IT products to my tenants at the IT Malls and users. Gradually, I developed it into an Internet Content Provider (ICP) and by 1999 I was able to provide a comprehensive range of information related to IT products, also known in the industry as Vertical Web sites. My business model was labelled in China by the Chinese media as “cement tagged on with a computer mouse” (水泥加鼠標). Cement means computer mall and the mouse refers to the Internet. My business concept was copied by many other people later on. However, being flexible and innovative were the reasons for the success, and I used this business strategy later on with my diversification to, and integration of, other Vertical Web sites. Being innovative is not always easy because one has to take risks, but through the success I have experienced, I have become more confident when I need to invest significant capital in my business such as the time when I needed a common technical platform for integrating the different Vertical Web sites.

1.3 The Listing of the PCO on the Hong Kong Stock Exchange

Based on the success of the first vertical web site for IT products, I expanded into other vertical web sites for Autos, Lady, Baby, Games and House. PCO was incorporated on 27 August 2007. The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (“SEHK”) since the initial public offering on 18 December 2007 (the “IPO”). Pacific Online trades on the Stock Exchange of Hong Kong

Limited under the ticker code: 543. I should also say that all the moves I have made to expand into various web sites have been carefully planned in order to capture business in different sectors such as IT products to Auto and Games for men and Lady and Baby for women.

PCO engaged in the provision of specialised content designed to provide online users with the product and brand information required to make informed purchasing decisions. Pacific Online operates vertically-integrated web sites including PConline, which provides software reviews, software downloads, and IT-related products and personal computer-related online communities; and PCauto that features automobile reviews, automobile maintenance reports, and online automobile-related communities. It also operates PCgames, a web site that provides information and reviews for all types of games; PClady, which provides an array of lifestyle-related topics for women with content covering beauty, health, baby care, home, love, and other areas; and PCbaby that offers various parenting-related topics, such as pregnancy, child education, childcare product reviews, and recommendations and PChouse which is a portal for household information, and provides news and stories on interior design, evaluation, furniture matching guide, gallery, and home improvement ideas. The fact sheets for the PCO industry and company profile can be found in Appendix 3. PCO provides consumers with quality and comprehensive information on specific vertical websites. The consumers, who are conducting information searches, are very likely at the early stage of the purchase cycle (Figure 1). From the perspectives of manufacturers and brands, these are high quality prospective buyers and hence they are willing to place advertisements on the vertical web sites.



Figure 1: The Online Consumer Purchase Cycle

Brands on the PCO vertical platform are critical to earn recognition among industry experts and participants, and to a larger extent, among general consumers and Internet users. The more the company enhances its brand recognition, the more effective it is in attracting new advertising business.

PC Online Limited has evolved in the past few years in order to cope with the changing needs of both the internal and external environment. Currently, the company has the following departments and is organized according to their respective functions:

Content editorial – this is the principal department of PCO. The company’s value proposition is specialised content; hence its editorial team is the core strength of the organisation. It is currently the largest department of the organisation. They focus on various content development activities such as market intelligence collection, product testing, tradeshow/conference reporting, and video/photo production.

Technology – the technology department is the research and development centre of the organisation. It is responsible for presenting high quality content to users using technology. This department has various sub-teams and their roles include web-page design, user-experience development, system and network development, application development, database management, and mobile product development.

Sales – the company's sales department is responsible for the marketing and sales functions of the company. They build and maintain relationships with brands and advertising agencies, and help them to deliver their advertising messages on the websites of PCO.

Administrative support – these departments are responsible for various administrative functions such as finance, human resources, legal and compliance.

The company operates in a fast-moving environment and technology changes frequently. Users also demand almost instant updates of the latest industry and product information across the PC and mobile platforms. In order to compete effectively and satisfy changing user needs, the organisational structure of the company has evolved over time. At the beginning of the company's history and when there was only one portal, the structure was relatively simply as can be depicted in Figure 2:



Figure 2: Single Portal Department

When PCauto, the second portal launched in 2002, I noticed that it was critical to keep the Editorial and Sales teams distinct as the content of the two portals was different. However, the Technology and Administrative Support teams could be centralised to serve the two portals using a single platform. By doing so, the company maintained relative flexibility in allocation of resources. The structure is depicted in Figure 3:

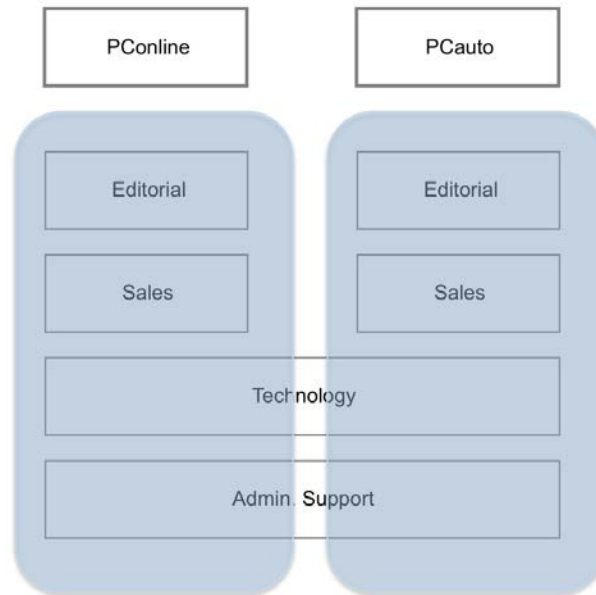


Figure 3: Two Departments with Shared Services

When more portals were added to the portfolio, I found that the drawbacks of a centralized Technology department outweighed its benefits. Very often, the centralized structure was not flexible enough. An engineer had to handle development requests from multiple websites, and he had to develop industry specific expertise for the different portals that he worked on. It became more difficult to set priority and allocate resources in response to requests from different sites, and so the turnaround time for webpage and application development was lengthened.

The company operates six distinctive vertical web sites, which are targeted to different fast growing consumer markets in China. The six web sites are:

- PConline – launched in 1999, the site is dedicated to providing comprehensive information on IT and consumer electronics products, such as PC's, mobile phones, and digital cameras, in China. Specifically, this portal provides users with in-depth information relating to IT industry trends, product specifications and reviews, pricing comparisons, and purchasing channels.

- PCauto – founded in 2002, this portal is currently the largest in the portfolio in terms of revenue. The portal provides information content primarily on domestic and international vehicles, road tests, price quotes, and auto parts and accessories.

- PCgames – launched in 2003, this website focuses exclusively on information content related to the gaming industry in China. The website reviews on and provides demonstrations of video games that are popular among young game players.

- PClady – first published in 2004, PClady is currently one of the leading women's lifestyle-related portals in China. Users can obtain comprehensive information on beauty products, love relationships, fashion, and health.

- PCbaby – developed in 2007 as a spin-off from PClady, this portal's primary focus is on pregnancy related information, but includes family and infant care.

- PChouse – the latest website of PCO was launched in 2010. It is a portal for household information, and provides news and stories on interior design, evaluation, a furniture matching guide, a gallery, and home improvement ideas.

These web sites attract users by offering specialised, in-depth content for consumers in the rapidly growing consumer-driven economy in China.

The businesses of PCO depend heavily on the development of Internet technology, which includes the reliability of Internet infrastructure, the continual accessibility of bandwidth and servers, the development of hardware such as tablet devices, and the change of Internet browsing preferences from traditional to mobile channels.

So far there does not seem to be a proven advertising business model for mobile Internet content providers. Advertisers find that it is difficult to achieve brand recognition and communicate marketing messages on the limited screen space of a mobile device. However, the number of mobile devices, particularly, smartphone users is growing rapidly in China. In addition, more and more people are relying on mobile devices as their primary source of Internet usage. As such, the company is faced with the challenge of deciding how resources should be allocated to the development of mobile application and content.

In order to respond more quickly to the market change and conditions, I have adopted the approach of having the technology department decentralised into dedicated teams. Each team, with its own units in design, pre-production, web-development, and user experience, are attached to its respective vertical website. Team members are carefully selected so that not only do they have the technological expertise, but also are knowledgeable with the vertical website that they are serving. For example, members of the PCauto technology team are passionate about cars and are themselves car owners, while female staffs who are knowledgeable about fashion trends and cosmetic brands are chosen to lead the technology team for PClady. These changes enable improved communication and seamless integration with the editorial staff of respective vertical teams.

Today, Chinese consumers are seen shopping everywhere in the world: from the most basic staples like formula milk to luxurious Swiss made watches; from car parks in

Hong Kong to penthouses and villas in the West. The Wall Street Journal reported (WSJ, June 21, 2012), “A new wave of buyers from China is snapping up luxury properties across the U.S., injecting billions of dollars into the country's residential-real-estate market.”

The Chinese appetite for all kinds of products and services is not only seen outside China; in fact China's consumer-led growth has been building up momentum for quite some time. The speed of China's growth has attracted the most attention, but the source of growth is perhaps most striking.

The China National Bureau of Statistics stated that in the first quarter of 2012, consumption contributed over 55% of China's growth, exceeding the contribution from investment. If that pattern holds, China growth this year will not be investment-led but consumption-led (Economist, 2012).

In 2012, China's mobile subscription passed 1 billion mobile subscribers, and with over 400 million mobile web users, China has overtaken the US in the world's smartphone market (mobiThinking, 2012). International Data Corporation, a provider of market intelligence, forecasted the number of Personal Computers shipped in China in 2012 to be 85.2 million (International Data Corporation, 2011). Worldwide vendors, PC World also reported (Albanesius, 2011) that 100.9 million smartphones alone were being shipped to China during the fourth quarter of 2011. Similarly, International Data Corporation (International Data Corporation, 2011) logged 92.1 million Personal Computer shipments during the same period.

With the growing population of Internet users in China, the opportunity for web portals, single vertical web sites and multiple vertical web sites to provide information content and services are also increasing; so is the competition. Each of the websites of

Pacific Online Limited faces competition from many market participants, including vertical portals and general portals. The company also competes with traditional forms of media, such as radio, television, newspapers, and magazines; even though it is believed that the rapid increase in China's online population will draw more attention away from these forms of advertisements. Competition with other websites is primarily centred on website traffic and brand recognition among general Internet users, spending by automakers and automobile dealers, and customer retention and acquisition. To a great extent, PCO competes with other vertical portals in terms of timeliness and accuracy of automobile pricing information, and website traffic.

1.4 **Delivering the Best Possible Experience for Users and Their Challenges**

Information content provided by PCO's vertical web sites is essential in differentiating our brands from the competition. PCO lives or dies literally by the information content of its websites. Google's advice for publishers of websites is to focus on delivering the best possible user experience for their users (Google, 2011). In order to understand the challenge to provide information content to our users, I will examine the five dimensions in which World Wide Web-based communications are distinguished from traditional mass media as they are essential to the development, implementation and management of the information content of the PCO web sites (Weare & Lin, 2000:274-275) as cited in Newhagen & Rafaeli (1996). First, PCO's information content is in multi-media format using text, photos and video, graphics and animation. Second, content is in hypertext with hyperlinks to other texts or web sites so that users can access other reference information instantaneously or be diverted to our sponsors' websites in the case of sponsored advertisements. Third, because the incoming and outgoing traffic over PCO's websites can travel in multiple ways, the role of PCO as the information content

provider to capture users' attention is limited to the duration of time the users are on our web sites. Fourth, communication over the Internet travels at an unprecedented speed. Users of PCO's web sites demand the information to be fresh, current, relevant and accurate. Finally, the discussion forum and social media network provides the platforms for interactive communication among users, information content providers and advertisers.

In order to address the multi-faceted dimensions of the communication and information content of PCO in the Multiple Vertical Web Sites business model, let's review the history of the development of the information data base in PCO. In 1997, when I first put the pricing information on PConline, our Computer Product web site, our goals were to collect as many computer products as possible; ensure pricing information was accurate and current; collect all the announcement documentation for the computer products so that Internet users could access all in a single web site; present user generated content found in the discussion forum and provide sales and promotion information from IT malls. Our initial aim was to provide our retail customers in the IT Malls with the most up-to-date computer product information to help their retail businesses so that internet users would be able to select and purchase computer products at the IT malls. We also assisted our users with the evaluation of products, pricing comparison and retailers' recommendations. In other words, we have created traffic for our PCO web site, and our approach to providing a product information data base has been copied by many web sites in the industry as a result. Our ultimate aim is to provide internet users with up-to-date computer product information to aid their selection and purchase. In 2002, I added the PCauto web site using a similar approach as the one providing for computer products. My aim was and is to provide our users with the information about cars to help them in the selection, purchase and maintenance of their cars.

PCO web sites have been growing by double digits every year since 2003, but so are the complexities and challenges to develop and manage the information content across the six vertical web sites. As an example, today there are 330,000 computer products with over 400 categories. In the automobile sector, there are about 20,000 automotive products with over 1,000 different types but only 1 category, namely car. Other vertical web sites in PCO have numbers of products ranging from 2,000 to 20,000 but with far fewer categories compared to computer and automotive products. In order to provide accurate pricing information for different vertical web sites, the process and frequency of updating the information data base differs substantially. This further adds to the complexity in the design and implementation of the information data base. Another level of complexity is due to the economic value of the products. The price for a car is high, so our users demand a more comprehensive pricing analysis. The price of cars does not vary much from city to city in China but for computer products, there are listed prices, price quotes from different geographical locations, retailers' prices, electronic retailers' prices, pricing restrictions and regulations etc. Therefore updates being made to the computer information data base in 15 minute intervals is not uncommon.

Apart from managing the differences in product attributes among the six vertical web sites in PCO, another challenge that PCO faces is to understand the habits and culture of our users and to use different strategies and designs of the information content to satisfy the needs of our users. I will now go on examine the five dimensions of Internet content for communication more closely.

First, the multi-media formats of information content are far more superior to that which can be offered in print media. Our users can see the test drive of a vehicle vividly and the installation of computer accessories such as a graphic card can be clearly shown to supplement the installation manuals. Through video, ladies can see a demonstration on

how to apply make-up professionally. If they have questions, they can also use discussion forum to post their questions and the fact that there are communities of interest being set up, the sharing of know-how among users further enhances the value of the PCO web sites. Second, the use of hypertext is widespread on the Internet. Most documents found on the Internet today use hypertext. For PCO, hypertext is fundamental in the business. Online advertisements use hypertext to divert traffic to the destinations that the advertisers desire. Since PCO derives the majority of its revenue from online advertisements, the linkage and integration of online advertisements from our sponsors are critical to our success and to the delivery of the value proposition to our users. Third, according to China Internet Network Information Centre, China had a total of 13.41 million domain names by the end of 2012 (CNNIC 2013:4). User traffic coming to PCO and going out to other websites represents both challenges and opportunities for PConline. On the one hand, we have to use relevant information content to keep the users on our websites; on the other hand, we also have a mission to assist our advertisers in helping the users to reach a purchase decision. In PConline, we have linkage to the IT retailers for order fulfilment. This is also an additional source of revenue for PCO. For automotive and computer products, when our users have made their purchases, it is likely that they will come to browse our websites at the same frequency as before. This is different for Games, Lady and Baby web sites. Our challenge is to entice the users with new information content which matches their interest, aspirations and culture. I will discuss this life cycle of purchase and dream buy later in this chapter. Fourth, users on the Internet can access information content from hundreds of sources globally and instantaneously. Our challenge is to gather as much relevant information content as possible in one place for our users. Content Management System (CMS) allows publishing, editing and maintaining content within and across the vertical web sites at PCO. CMS provides procedures to manage the information content and workflow in a collaborative environment; this is essential to the

effectiveness and efficiency of the MVWS business model of PCO. Fifth, Social networks such as Blogs typically contain an online personal journal with reflections, comments, and often hyperlinks provided by the writer. Discussion forums with communities of interest are gaining recognition in consumer marketing.

Individuals develop relationships with each other, the network itself and the brands. Such relationships are predicated on trust between members, shared interests and experiences and relationships with the brands they discuss (Quinton & Harridge-March, 2010:59).

In PCO, I recognised the importance to provide the forums for our users to discuss the topics related to products of interest to them. This kind of experience sharing and learning from others could provide the basis for their follow up actions in relation to the purchase of the products or services or interest.

To understand the reasons for my decision to create the six vertical web sites, the target audience for each of the vertical websites will be examined. In Games, our target audience is typically young people aged 10-16, Games provide entertainment, intellectual stimulus and social interaction with other players online. Our target audience for the Computer Products is for people aged 15-29 as computers are fundamental activities in games, schools and universities, and work. Our target audience for Auto are males aged 20-35, as Auto is an expensive item, it is typically the first “love affair” for a young man not unlike my own experience in West in the 50’s and 60’s. The target audience for Lady are young ladies aged from 18-29, the needs in their social life and career necessitate young ladies to be fashionable and dress accordingly. The target audience for Baby is young mothers and occasionally their better halves. A House is typically the most expensive item for young couples and individuals to purchase. The target audiences are young couples and individuals who have had professional careers for a number of years.

This continuum of human life events forms the basis of my decisions to develop the six vertical websites. In fact, the order of these vertical web sites was established following the life cycle of our users' development, i.e. from youth to adulthood. From a business point of view, the development of these vertical web sites seems to be rather straightforward, which is why I could maintain the viewership throughout the development stages of our users. However, over the past few years, I have found increasing management challenges in creating innovative products for our users, in terms of the development of quality information content and with regard to maintaining effective and efficient PCO web sites in China. In order to understand the management challenge in more detail, we must first understand the information content required at PCO.

Taking the automobile market as an example, according to a recent automotive report (Wernie, 2013); sixty to seventy percent of Ford Motor Company's customers in China are first-time buyers. When these typically young buyers enter the car market, they want educating in terms of the performance and safety features of different brands, and the quality of the cars, particularly the audio system, is high on their priority list. When they are ready to make a purchase, they request price quotes. For the first time buyer, "Which car to buy?" is a difficult decision to make as it relates to the buyers' needs as well as to constraints of their budget. This is not surprising; after all, other than the purchase of a flat or house, the purchase of an automobile is a major expenditure and requires thoughtful decision making. PCO has served these buyers' needs very well judging from the traffic of PCauto. The number of users requesting price quotations from PCauto ranked third in China's auto vertical web sites totalling 11.65 million requests in the fourth quarter of 2012. However, the sustainability of the vertical websites requires both the attracting of new users as well as the maintaining of the existing user base. The latter refers to the stickiness of the website. In PCauto, I have a research and development group always on the lookout for the next wave which can attract users to our

websites. According to recent research, the change in Chinese consumers' buying preferences is evident:

“How times have changed. As recently as 2010, functional benefits dominated the list of key buying factors for just about all of the 40-consumer-goods categories I studied. Just two years later, emotional benefits had become a top-five key buying factor in these same categories-and in many cases the top one or two” (Magni & Poh, 2013: 2).

Continuing with the automobiles as an example, after the purchase of their first cars, the Chinese consumers are likely to think about the next one; a dream car, an Aston Martin or a Rolls Royce. Perhaps some of them make their emotional connections with the Aston Martin after watching the James Bond movies. These aspired brands of automobiles are now featured in the PCauto web site and this helps us to maintain our viewership.

1.5 Fostering the Knowledge Sharing and Collaboration across Verticals

Since its establishment, PCO and its six vertical web sites have gained leadership positions particularly in the Personal Computer and Automotive segments. As Thompson (1996: 24) observes, it is all too easy for currently successful firms to lose their edge and their competitive advantages. Thompson also cited Miles and Snow (1994) in presenting the four main reasons companies fail: (1) a lack of awareness and not being alert to new opportunities and threats; (2) retaining a belief in a successful competitive paradigm for too long; (3) an unwillingness to accept the need for structural or cultural change; and (4) poor judgment which causes a company to make poor, inappropriate decisions. Merely surviving in a competitive environment is not enough; an organisation must be able to coordinate information and effort throughout the organisation. Organisations must also

spot and create competitive opportunities ahead of their rivals. This necessitates a need for managers to work in harmony, sharing information and capabilities and creating synergy (Thompson, 1996: 14).

In the age of information content with a multitude of digital media, collaboration and sharing, within and across the verticals, are often required. Looking at our websites, there are large amounts of photography, animations and video linking to the texts, reports and editorials. Recently, I have encouraged my staff to share their resources and skills through creative media workshops and mentoring programmes across the vertical web sites. Additionally, there are reserved spaces for advertisements; these are choice locations just like real properties. My sales staff are encouraged to maximize the return of our assets including sharing these advertising spaces with other clients from other vertical web sites in PCO. When I set up the PCO, I had the belief that all editorial staff from the six vertical web sites could use a single information system platform and IT staff to develop the information content for their web sites. Later, I found out the hard way that it was not practical, and, in fact, was detrimental to our business. Not only are there multi-faceted dimensions in communication information for each of the vertical web site as discussed earlier in this chapter, but the target audiences are also drastically different in terms of their age, preference and viewing habits. As a result, my editorial and IT staff have accumulated valuable experience over the years working in their respective vertical sites and their experience has proven to be of vital importance in the production and distribution of quality information content. These examples show that sharing across the company to optimise the resources used in PCO is fundamental in improving the operational efficiency and effectiveness of the company.

Turow (1992: 235) defines synergy in a media company as the coordination of parts of a company so that the whole actually turns out to be worth more than the sum of

its parts acting alone, without helping one another. As a media researcher on digital cultural industries, Turow cited the example of the Disney Company in explaining synergy. When the TV production division of Disney promotes the company's theme parks, they drum up business for the record and video division, which, in turn, promotes the book division, which is a circular action, aiding the TV division's programming, and that is synergy (Turow, 1992: 235).

Theory is one thing, but practice can be totally different. ¹In the development of the mobile Internet for different vertical websites in PConline, I asked the head of the production team for one vertical website to use the mobile expertise in the IT department so that I could speed up the development of new products. I received a lot of push back from this manager citing that the IT department did not have enough knowledge of the industry. It was for precisely this reason that I wanted to see collaborations between the two groups, to enable each to contribute their valuable expertise to the project all The push back, as I have observed on more than one occasion comes down to "who gets the credits". The heads of the production teams want to take full credit for everything in their verticals. Hence, they discourage anything that requires collaboration with other departments even though it is in the company's interest to do so. There is a Chinese idiom: "上有政策下有对策", which means "The higher ups have policies while the lower downs have their own ways of getting around them".

Recognising the importance of sharing resources and knowledge, and the learning challenge in PCO, I started to restructure the IT department in the second half of 2012 and early 2013. My intent was to create a cadre of competencies for each of the vertical web

¹ Ethnographic Research Case #1

sites in the IT department. Staff working in their respective vertical web sites must first demonstrate their passion and knowledge in the segment for which they are responsible. In the automotive segment, for example, the IT and editorial staff will need to have first-hand knowledge of car ownership and maintenance. When the IT staff are knowledgeable about the automotive segment, they can communicate more effectively with their counterparts in the vertical web site; hence, better business and technology decisions are more likely to be made as a result.

China is the world's most populous nation with a population of about 1.344B (World Bank, 2011). In 1964, the first national family planning offices in the central government and some provincial level governments were set up to oversee China's fertility reduction programmes, many of which focused on urban areas. Although many of the nation's family planning programmes were derailed during the Cultural Revolution from 1966 to 1976, China was again, in the 1970s, promoting fertility reduction. In 1978, the government set the goal of a zero population growth rate by the year 2000. In 1979, China had turned their focus to limiting the number of children per couple to one only and the China's One-Child Policy was officially introduced. This was the same year when the economic reform was launched by the late Premier Deng Xiao Ping.

Most of PCO's employees are under 30 years of age. Since its introduction in 1979, the China's One-Child Policy (OCP) restricts the number of children that China's urban couples can have to one, with exceptions for those from ethnic minorities or with a severely disabled child. Over 90% of all urban children and over 60% of rural children have no brothers or sisters (Chen, 2003: 74). There are many studies and much research that has been done on the social impacts of the OCP. Chen (2003: 74) observed that family is important to the socialisation of children and plays an important role in the development of children's intellect and personality. In China, news, reports and academic

literatures have all expressed concern that single-child families would produce self-centred “Xiao huangdi” (Little emperors) and Xiao niangniang (Little empresses) as they are often cynically described. Theoretically, this concern is both reasonable and probable (Chen, 2003: 74) and ²in the ten plus years since the incorporation of PConline, I have observed the unwillingness of many of the younger generation to share their knowledge and information even though sharing could be for the good of other colleagues and for the company as a whole.

In a single-child family, a child is typically pampered by no less than six parents and grandparents. With China’s phenomenal economic growth in the past decade, families have been able to afford all the necessities and many luxuries in life. The little emperors and empresses are used to being the centre of attention and enjoy all the luxuries their parents and grandparents were denied as children. Besides, as a single child in the family, it is not necessary to share his and her good fortune with others. In other words, sharing is foreign to many of the “Little emperors and empresses” generation. In a recent study comparing the two groups of people, one with people born in the years before and one with members born after China’s OCP, Cameron et al. (2013: 954) observed that an only child is often viewed as disadvantaged as a result of “sibling deprivation”, which may lead to them being more self-centred, less cooperative, and less likely to get along with peers. The study also found those born after China’s OCP were less conscientious, less trusting, less trustworthy, more risk-averse, more pessimistic, less inclined to compete with or cooperate with others (Cameron et al., 2013: 953). As one university lecturer in Tokyo observed, many of the university’s exchange students who came from China have

² Ethnographic Research Case #2

difficulty negotiating and coming to an agreement as a group. She attributed this to their having grown up without brothers and sisters.

³Early this year, I talked to one of my managers who was born in China and is now in his 30s. This manager has a number of employees who are in their 20s. I wanted his perspective on China's OCP in respect of the management of his people, so I asked him what he thought of China's OCP. His reply was straightforward:

He stated that China's OCP does have an effect on his management of the group. Those who were born between 1987 and 1990, after China introduced the OCP, tend to be more self-centred and unwilling to share. He went on to share that he has to resort to using Management-By-Objectives every six months for his group in order to keep them on track. In doing so, he feels he can keep them motivated and correct any performance issues before it is too late.

⁴In my participatory observations, I have discovered the aspect of competitiveness to be contrary to the findings of the study (Cameron et al., 2013: 953) which documents that OCP has produced significantly less trusting, less trustworthy, more risk-averse, less competitive, more pessimistic, and less conscientious individuals. In terms of the competitiveness of the employees at PCO, I have observed that employees who were born after the OCP are in fact highly competitive. Many of my managers and employees at PCO compete aggressively within and outside their verticals. To a large extent, internal competition helps employees stay focussed on their goals which is

³ Ethnographic Research Case #3

⁴ Ethnographic Research Case #4

essential in the business environment today. However, when employees compete without regard to the overall company business strategy and objectives, it is destructive to the business and damaging to the working relationship with other workers. On the other hand, internal competition has been shown to be healthy for a business as Pfeffer & Sutton (1999: 177) attested: “Competition inside firms is also widely thought to promote innovation, efficiency, and higher levels of organisational performance. Competition determines who will be the leaders”. When editorial staffs see colleagues doing better and getting their recognitions and promotions, for example, they strive to do the same or even better. The end result could be better products produced for our users and a higher sense of accomplishment for the staff members involved. However, if internal competitiveness is excessive and out of control, it could produce enough negativism to stifle cooperation among colleagues, undermining the teamwork and synergy in the organisation.

In a multiple vertical web site environment, it is important for the sales managers to share the advertising spaces in their vertical segment with other vertical segments. As online advertisement spaces in the pages of the web sites are perishable assets, if I do not maximize their utilisation, it would result in the loss of revenue for the company. ⁵Recently, I had a situation where a sales manager was not willing to share the vertical segment advertising spaces with other vertical segments. The reason given by this marketing manager was that by sharing the advertising space with the other vertical segment, his brand would be compromised. I had to get personally involved to rectify the situation for the benefit of the advertisers and PCO. I attribute one of the reasons for the unwillingness to share to competition among peers; it could simply be due to the fact that by not-sharing it could make him or her look even better in the company as far as personal

⁵ Ethnographic Research Case #5

accomplishment is concerned. In fact, the unwillingness to share is quite common in business except the reasons can differ in each case. ⁶Pfeffer & Sutton (1999: 183) cited a study at a Microsoft business unit. Even though members of the team needed to share information with other team members in order to create the integrated software products, they chose not to as the allocation of rewards are based on individual performance downplaying the importance of unselfish teamwork and instead promoting competition.

⁷I shared my experience with an executive who managed a professional service business organisation in China. He told me that the internal competition and rivalry among colleagues in China was intense and much stronger than he'd experienced in western countries. He recounted his first-day experience as the head of the professional service division in China. His General Manager wanted him to fire the Marketing Director for poor performance. He resisted and wanted more time to understand the issues. As it turned out, it was the General Manager who was not performing satisfactorily and was jealous of the Marketing Director for his strong relationships with many of the clients. A month later, the General Manager was fired instead.

Selfishness and self-centredness find many ways to manifest themselves. In a multiple vertical web sites business model, I have one centralized IT department to support the whole company. In other words, all six of the verticals are sharing the resources of one IT department in the development of the new products for each vertical. As the Internet business has undergone tremendous changes, particularly in the use of new online and mobile technology, my IT department is constantly bombarded with many

⁶ Ethnographic Research Case #6

⁷ Ethnographic Research Case #7

application development requests creating a huge application backlog. Each of these application development requests can take up a lot of developers' time to complete; hence, it is important for the requesting vertical to have a sound business case before proceeding with the submission of their application development requests. Unfortunately, this is rarely the case as I have observed over the years that the "me too" syndrome is most often the reason behind their actions. In other words, when managers of one unit see another unit having something new, they want the same without necessarily thinking through its incremental revenue and the cost involved. Understanding the nature of selfishness and self-centredness of the OCP generation in China should be something management has to reckon with as they represent a shift in the value system among the people we have to rely on to deliver business results in a company as well as those we are doing business with, particularly in the Internet business landscape.

The impact of China's OCP can sometimes be overstated. China has a long history with a rich, complex, dynamic culture and it has been undergoing tremendous changes since the 1949 founding of the Peoples' Republic of China.

Chinese culture characterised by collectivism, Confucianism, power distance, face and Guanxi (relationship), particularly the importance of Guanxi as a lubricant to maintain workplace relationships, has been seen as an enduring source of influence (Cooke, 2009: 13).

This explains a key difference between the Chinese and the behavioural pattern and dynamic of the relationships in the workplace. Confucius (551-479 B.C.), Chinese thinker, educator, politician and founding father of Confucianism has influenced Chinese society and shaped the mainstream of Chinese cultural values for 2500 years (Hackley & Dong, 2001: 17). However, collectivism stresses the importance of the group to which individuals belong. While horizontal collectivism deals with collective decision making

among equal individuals, vertical collectivism is based on hierarchical structures of power, moral and cultural conformity. In the management of PCO, our challenge is to strike a balance between the modern and long standing cultural values in the Chinese workforce in the development of my employees and show the real value and benefits of a cooperative enterprise and learning organisation for all the stakeholders involved including our users and advertisers. However, this is easier said than done.

As I have discovered through many of the situations that have required my attention in terms of conflict management, the parties involved typically want to see what is in it for themselves rather than what is good for the other party or more importantly what is good for the company. In other words, their commitment to the company is second compared to their own interests or benefits. This is certainly something that we, the senior management of the company, have to change. One of the reasons why these employees behave the way they do could be due to the way the incentive programmes are structured. Basically, year-end bonus is paid to reward individual or unit performance. This does not encourage the sharing culture to take root. I am currently experimenting to combine two verticals under the same general manager. My hope is that by doing so, I can encourage more sharing and synergy between the two verticals to take place and produce more satisfactory business results for our stakeholders and the company.

I know knowledge sharing, collaboration, cooperation and competition among employees are just the tip of the iceberg. To be competitive in the marketplace, organisations must learn more efficiently than their competitors. Furthermore, employees at PCO have to learn fast, learn from their mistakes, make changes and transfer the knowledge to other team members and, produce and refresh the information content for our users and advertisers effectively and efficiently. In essence, PCO has to be a learning organisation. McGill & Siocum (1993) as cited in Lipshitz (2000) suggest that:

“Building a learning organisation requires that leaders develop employees who see their organisation as a system, who can develop their own mastery, and who learn how to experiment and collaboratively reframe problems” (Lipshitz, 2000: 459).

Apart from the internal factors such as organisational issues, employees’ behaviour and commitment to the company, and motivation and incentive programmes, there are external factors affecting the sustainability of the PCO as well. As an Internet media company, PCO is faced with traditional competitors and new entrants to the business. For example, even though mobile Internet has not yet become the primary source for the distribution of information content in the vertical segments we are in, it holds great promise as a personalised information source for our target audiences. That is why I have invested heavily and positioned our business using mobile Internet. For example, in the past two years, we have published three magazines, namely PCauto, PChouse and PClady on iPads and iPhones. In fact, our magazines have become the best example of magazines produced for this media in the Apple iTunes store.

Mobile Internet, when used with the tablet PCs could be a logical choice to supplement or even replace the use of PCs to access the information content of the vertical web sites. As the tablet PCs could also have the Geographic Position System (GPS) and mobile network capability, they can extend the capability of our vertical web sites for our advertisers. For example, when our users want to know where are the nearest auto dealers in the area they happen to be or where are the retailers which carry some branded items in cosmetics in the area, they can just touch a few buttons on their tablets and immediately, their inquiries will be addressed. This convenience factor does help the advertisers to reach their consumers anytime, anywhere and in the manner their consumers choose.

The implementation of mobile Internet in our business is not that straight forward. Not only is mobile technology relatively new, but changes are much more frequent than on the PC based Internet, for usability and content adaptation must also be carefully designed and tested. This is why sharing and collaboration among colleagues in different vertical segments is so important. I need to bring to our users and advertisers the information and capability they need, and internally, openness and knowledge sharing are fundamental for the implementation of our strategy if we are to cut down the learning curve and build new capability for the company cost effectively.

One of the key success factors in delivering new products and services to users is to have loyal employees who are willing to learn and share their expertise with other colleagues. Chinese in mainland China have a rich and unique culture and children are brought up very differently from their counterparts in the West and even the overseas Chinese. One of the social norms, Guanxi, has been increasingly studied by social scientists, e.g. Hsu, Lin & Wong (Wong & Wong, 2013:39). The Chinese term, Guanxi, is in continued use today, because it is difficult to find an equivalent English word to accurately express its meaning (Hackley & Dong, 2001: 16). Hackley & Dong, (2001) observed that although Guanxi can be roughly translated into “connection,” “social networking,” or “special interpersonal relationship”, Guanxi also carries the meaning of access, power, social status and resource transmission. Guanxi as a Chinese culture and business etiquette has everything to do with managing and doing business in China. Hackley & Dong (2001: 16) as cited in Law (2009: 316) observed that, as one of the most deeply rooted Chinese cultural values, reciprocity is a critical component in developing and maintaining a Guanxi network. Davies (1995) defined Guanxi as the social interaction within a networked group where repeated favour exchanges ensure a measure of trust among the participants of this network. Wong & Wong (2013: 39) observed Guanxi in Chinese companies has positive and significant effects on commitment to supervisor,

whereas commitment to supervisor has a positive effect on affective commitment and organisational citizenship behaviour of employees. Such a relationship further leads to reduced employee turnover. In fact, Guanxi is a multi-faceted Chinese culture with a strong relationship including knowledge sharing among employees. Hu (2009: 977) observed that the interpersonal relationship or Guanxi with the social community is a critical aspect and component for implementing knowledge management in an organisation because it helps facilitate sharing and the exchanging of collected knowledge and improves both individual and organisation performance. The practice of Guanxi could be most beneficial before any requirement of collaboration and knowledge sharing among employees takes place. The bonding, empathy, reciprocity and trust built up among employees over time would reinforce the Guanxi in the organisation making the company a sharing and higher performing organisation.

Even though PCO has been doing relatively well in China, I realise that I am dependent on the commitment of talented employees with strong industry knowledge and experience. Furthermore, the ability and willingness of the management team and employees to share across different verticals has become the critical success factor for PCO to move forward. The main reasons I decided to conduct this research study were to understand the key factors that will sustain PCO, its use of the MVWS business model and to present to the PCO Board my recommendations to take the company forward.

Chapter 2 CONTEXT

When I examine the key factors that will sustain PCO as a provider of MVWS in China, effective and efficient utilisation of the internet technology is important. That also leads to a need for knowledge sharing among employees so that we can develop and replicate the capability across PCO's verticals rapidly.

In less than twenty years, the Internet has become indispensable to many people in daily life. Research (Hoffman, et al., 2004: 38) shows that in the United States, the Internet has become indispensable in contemporary social life and that the Internet continues to be an information and communication tool (Hoffman, et al., 2004:39). OECD (Organisation for Economic Co-operation and Development)'s Director of Science, Technology and Industry has observed that the network of networks (Internet) will continue to reach further into our daily lives and into other infrastructure which we rely on Huttner (2008:6). Furthermore, China Internet Network Information Centre (CNNIC), an administrative agency responsible for Internet affairs under the Ministry of Information Industry of the PRC, in their recent survey (CNNIC 2013: 4) confirms that by the end of December, 2012, there were 564 million Internet users in China with 50.9 million new users representing a growth of 3.8%.

I am the founding Chairman and CEO of the PCO which went public in Hong Kong in 2007 on the Main Board of the Hong Kong Stock Exchange. The advertising revenue of PCO ranked it 5th or 6th in the portal business in China, including general and vertical web sites. PCO is also an acknowledged leader in the vertical web site business. The company was also voted by the Forbes Magazine in September 2008 as one

of the best 200 companies in Asia under US\$1B capitalization. In 2009, the company was included in the Morgan Stanley Small Cap Index, the MSCI, for China.

This research project will be a study of PCO in order to investigate its sustainability using Multiple Vertical Web Sites (MVWS) as the business model. PCO is an Internet media company in China which started from a single vertical web site in April 1999 and expanded to six leading web sites in China today. Each web site is specialised in providing information content on specific products or for different segments in a niche market. The web sites are known in China as vertical web sites. Collectively, PCO operates these web sites using a business model known as Multiple Vertical Web Sites (MVWS). PCO focuses on six market segments using the following brands (<http://www.pconline.cn/>): PConline, PCauto, PClady, PCgames, PCbaby and PChouse and a brief description of their products and service focus are as follows:

- **PConline** (Computer, Software, Download, IT Malls, Consumer Electronics, Photo Blogs, User Forum),
- **PCauto** (Automobiles, Car Accessories, Price Quotes, Car Reviews, Test Reports, Dealer Locations),
- **PClady** (Beauty, Life, Fashion, Accessories, Health, Cosmetics),
- **PCgames** (Online Games, PC Games, Console Games, e-Sports, User Forum),
- **PCbaby** (Parent-Child Zone, Pregnancy Advice, Infant Care, Early Education, Mothers' and Babies' products, Family Life, User Forum) and

- **PChouse** (Furnishings, Accessories, Interior Decoration, Colour Matching, Dealers and Professional Services).

2.1 **Significance of the Study**

The Internet has become an important communication, entertainment and commerce tool in China and yet, in a recent research study of the analysis of academic research on the Internet, it was revealed that there is a lack of academic focus on Internet company research (Kluver & Yang, 2005: 306). This study focuses on how to deliver more complete information content for the PCO web sites, cooperation and competition in the company among employees and management, and collaboration and synergism among the different verticals in the company with particular emphasis on the understanding of modern Chinese culture and organisation issues.

For the first topic of investigation, I want to investigate how different verticals in PCO could improve on our capability to deliver information content on our web sites. For the second and third topic of investigation, I want to address the cultural and organisational issues among the different verticals when collaboration and resource sharing are required. Using autoethnography as a research method and reviewing existing academic literature, I want to gain insights into the reasons why such behaviour happens in modern Chinese culture and typically with the relatively young workforce aged 30 or below in PCO.

The three topics under study are fundamental to the sustainability of PCO. Therefore, the findings of this research study can help validate existing theories through a combination of critical reviews of academic literature, a case study using PCO and autoethnography research methods. The synthesis of data gathered, could give rise to findings which lead to the discovery of new insights, thus, enhancing the existing knowledge of the topics focused upon in this research project.

2.2 **Project Aims and Objectives**

This study focuses on assessing factors in the sustainability of PCO using the Multiple Vertical Web Site (MVWS) business model in China. The Internet has significantly reduced the cost of distribution of information content to users. On the supply or production side, aggregating six vertical web sites, hence the name Multiple Vertical Web Sites (MVWS), in one company with the MVWS as the business model potentially offers the economies of scale and scope for information content being distributed over the Internet. Furthermore, several types of information content could become more valuable to consumers as the market share increases, leading to the demand or the consumption side of the economies of scale (Bakos & Brynjolfsson, 2000: 64). On the production side, having six vertical segments at PCO sharing the resources in the accounting, financial management, credit control for advertisers, human resource management and information technology development significantly lowers the cost of doing business. Besides, scale matters in China as the business and market grow. In PCO, I currently employ 1,300 people in China. Consequently, we can work more effectively with local governments to obtain tax credits and other investment incentives, thus further lowering our cost of doing business.

Apart from the financial savings we obtain through the economies of scale over the single vertical web sites, China is also very different from western countries such as United States and many European countries. My experience in managing PCO has revealed that young university graduates want to work for large companies with a strong brand and reputation. Working for a start-up with only a few employees would not be the ideal job for many Chinese. Again and again, we come across these mind-sets in university graduates during our annual campus recruiting. In other words, for us to attract quality employees, I have to reach the scale and scope in the market and build a strong brand as well.

Internally, career opportunities for our employees are enhanced with six vertical segments. For example, because of the nature of the fashion industry, the photographers in the PClady web site are fashion photographers with greater creativity and professionalism. On the other hand, photographers for the PConline and PCauto are used to taking photos highlighting the details of the components, and automobile exteriors and interiors; the requirements are different from the fashion photographers' perspective. From a career development perspective, it makes sense to develop our people with interest in photography to have higher skills in all our verticals. Perhaps, photographers in PCauto can become a fashion photographer after they acquire the necessary skills.

In short, the MVWS business model in an Internet media company like PCO could be more profitable and sustainable in the Internet industry in China for several reasons. It can provide higher value to users as the aggregation of multiple vertical segments creates higher value to users (Bakos & Brynjolfsson, 2000: 64), lowers the cost of production of information content, qualifies for tax credits and investment incentives from local government as the scale of the business is larger than the single vertical web site, enables

the company to recruit higher quality employees and offers more internal career opportunities and advancements for employees.

Like a daily newspaper company, PCO needs to provide up-to-date information content on a daily basis to its users. Unlike the newspaper company, the ways in which information content is delivered vary depending upon the types of media used. For example, flash video is often used for fashion shows and test drives of different models of automobiles. PCO's PClady web site can use the simulated models on the web site so that consumers can see how the blouses of different colours and skirts along with different accessories look on themselves. Young couples can become their own interior designer in furnishing their apartments before deciding to pay a visit to the stores or shop online. All these new and innovative methods for PCO to provide information content and knowledge to the consumers require expertise on the segments, processes, technology and methods to develop the presentation and sophisticated application software to be run on different hardware platforms.

With hundreds of websites for the consumers being only a few key clicks away, it is of vital importance for PCO to attract and maintain the interest of the Internet users in the first few seconds after they enter the web sites. Then, depending on the users' interest, PCO has to provide relevant and complete information content, often along with sponsored advertisings. Consumers could also decide whether they would further engage with PCO or dialogue with the advertisers' or product websites. Content is everything as people in the trade stress the importance of content in the media industry. With over thirteen years of experience in managing the PCO, I understand first-hand the criticality of having experienced editors and staff in different verticals of the PCO. In fact, in the past, mistakes were made causing dissatisfaction to be expressed by users, for example, when an editor was transferred from PCauto to PClady the result was that some business needs

caused a lower quality of content to be delivered. The problems are compounded due to other issues arising from the modern Chinese culture and organisation issues.

The aim of this research project is to identify existing theories on the internal cooperation and competition in PCO and companies operating in China and understand how they apply or do not apply to PCO using the MVWS business model in order for PCO to have a sustainable business in China.

The objectives of this research project are as follows:

- (1) Through critical reviews of academic literature, identify existing theories on internal cooperation and competition relevant to PCO and other companies operating in China;
- (2) Develop the findings which validate existing theories or new findings related to addressing the sustainability of PCO using MVWS in the sharing of knowledge, information content and business opportunities across the verticals of PCO;
- (3) Validate the existing interdependence theory of “Cooperation and Competition” and identify areas of the theory which apply or do not apply to PCO in China. Explore the area where new insight and knowledge may be of interest to future academic research; and
- (4) Make recommendations to the Board of PCO related to the actions required to maintain and enhance the sustainability of PCO using the MVWS business model.

2.3 **Research Questions**

Organisational learning and innovation contribute positively to business performance (Jimenez-Jimenez & Sanz-Valle, 2011: 408). Over the past decade, organisational learning has been established as an important capability for achieving competitive advantage (Brockman & Morgan, 2003: 385). PCO is an internet media company in a fast changing market, in terms of product information, consumer and technology changes. Utilising the MVWS business model which is based on its unique value propositions in a network of collaborating employees, verticals and other stakeholders (Ehret, Kashyap & Wirtz, 2013: 649), I aim to achieve the synergy within PCO in order to gain the competitive advantage over the single vertical web site and portals in the market. Thus, organisational learning and innovation are essential to the sustainability of PCO using MVWS, and sharing among the management and employees as a culture and practice in PCO is a pre-requisite to organisational learning and knowledge sharing.

The ability of PCO to discover innovative ways to develop information content across the verticals and to foster sharing and collaboration among the employees within and across the verticals forms the basis for the sustainability of PCO using the MVWS business model. Therefore, in this research project, I want to examine the three research questions in order to address the sustainability of PCO using the MVWS business model.

The primary focus of this research project is to seek answers and solutions to the research questions as follows:

1. How to develop more complete information content for different vertical segments, namely IT, Auto, Games, Baby, House and Lady, of PCO in China? Why is it necessary to do so?

2. How to foster the sharing and learning culture in PCO in order to facilitate the synergism across PCO? Why is it necessary to do so?
3. How to manage the cooperation and competition within the PCO and foster collaboration between verticals to serve the PCO customers? Why is it necessary to do so?

Information content constitutes the products and services PCO has developed and distributed to users through the Internet media. For the six vertical websites PCO operates, different information content and media are used to enable users to get the information they want to aid their purchasing decisions. Advertisers also place their advertisements on PCO web sites; they too require their information to reach the prospective users in the media they choose. Research Question #1 focus on the ‘how’ rather than the ‘what’ to develop information content and ‘why’ it is necessary to do so. The main focus for the Research Question #2 is to examine the ‘how’ to foster the sharing and learning culture in PCO as it is fundamental to facilitate the synergism across the PCO verticals. MVWS as a business model for PCO requires synergism to take place between various verticals in order to optimise the use of resources across PCO. Research Question #3 focuses on the ‘how’ to manage ‘cooperation and competition’ across the verticals. The main focus is to understand how to foster collaboration across the verticals. Similar to Research Question #2, collaboration across the verticals at PCO is essential to the MVWS and understanding the issues and challenges in closing the gap between the ‘knowing’ and ‘doing’ among employees is critical.

This research project focuses on the ‘how’ and ‘why’ of all these critical success factors with the intent to develop the solutions and recommendation to the Board of PCO on the sustainability of PCO using the MVWS business model.

2.4 **Research Outcomes**

Reflecting upon my experience and observations in the managing of PCO, I want to understand the issues in addressing the three research questions and develop solutions and recommendations to address them. The primary outcome of this research project is a report to the Board of PCO with recommendations for disseminating the findings and addressing the issues in the sustainability of PCO using the MVWS business model. The secondary outcome of this research project is to share the findings and solutions developed with readers in academia so that they can reference in their research the knowledge derived from this research project.

Chapter 3 INTERNET BUSINESS

3.1 The World Wide Web

This Chapter contains a discussion of the growth of the Internet business in China and the evolution of the consumers' behaviour in obtaining product and service related information through the Internet. I will also discuss the technological changes in the online media business globally, in particular, mobile Internet which complements desktop computing. Vertical Web Sites and advancement in search engine technology have provided many innovations in online advertising and information content provider businesses, both in China and worldwide.

With a population of 1.3 billion, China has recently become the second largest economy in the world and is increasingly playing an important and influential role in the global economy (World Bank, 2011). In his final speech before stepping down, former President Hu JinTao said China needed to redouble efforts to switch its focus from being an economy whose growth is export-led to one that is driven by domestic consumption (Aldrick, 2012). It will be of no surprise to see the rise of the Chinese middle class propel the Chinese economy to yet a higher level in the years to come. Wang (2012) offers this definition of the Chinese middle class below:

“The most common definition uses income as a measurement. According to McKinsey Global Institute, the Chinese middle class is those people whose annual incomes, in terms of purchasing power, range from US\$ 13,500 to US\$ 53,900. The Chinese Academy of Social Sciences (CASS) released a report in 2004 defining the Chinese middle class as families with assets valued from US\$ 18,100 to US\$ 36,200 (150,000 to 300,000 RMB). The official data from China's National Bureau of Statistics categorizes the Chinese middle class as households with an annual income ranging from US\$ 7,250 to US\$ 62,500 (60,000 to 500,000 RMB). A rule of thumb is that

middle class people have available one-third of their income for discretionary spending” (Wang, 2012: 5).

I have witnessed first-hand that the purchasing power of the Chinese middle class has been increasing rapidly, especially in the past ten years. The salary and bonuses of many Internet-business professionals have doubled in just a few years. The Wall Street Journal has also reported that in China, wages start from a very low base, but they are climbing fast. At current rates, China's private-sector manufacturing wages will double from their 2011 levels by 2015, and triple by 2017 (Orlik, 2012).

Increasingly, the Chinese consumers are behaving like their counterparts in the developed world. The trend towards fewer but more costly shopping trips reflects the Chinese consumer’s convergence with developed-world norms (Atsmon et al., 2010: 3). They spend more in categories they highly value, and they generally trade down in less compelling ones. Moreover, they remain brand conscious, but unlike shoppers elsewhere, they focus on value so intensively that brand loyalty is often secondary. In addition, the Internet has proven to be a tremendously powerful vehicle for marketing purposes and has become the front-end application of consumer intelligence gathering and consumer purchase facilitation (Omar, Bathgate & Nwankwo, 2011: 226). In fact, the total online sales in China topped US\$210.4 billion, up 64.7% from 2011 sales (Rapoza, 2013). If I conduct a close examination of the key stages in the buying process and some of the techniques used in the online buying process as shown in Figure 44, the consumer online process is similar to what PCO is providing our users in our vertical sites. For example, when the consumer is unaware of the specification of the products they are interested in, we have information on our web sites to generate interest and awareness. We can see how

the Internet impacts the buying process of a potential purchaser. As the awareness of the products and services by the potential buyers increases through stages 1-6 in the buying process, different Internet marketing techniques can be employed by advertisers through different marketing channels and intermediaries with an orchestrated set of objectives. PCO is in the business to educate users at different stages of the buying process. Working closely with online advertisers, many of the product specifications or special features of the products such as skin care lotion for ladies can be read directly from PClady. Users can also obtain additional support from a PCO website when they are ready to make purchases. A store directory or an online purchasing website is automatically linked to the PCO websites, enabling a purchase to take place at the users' convenience. In some of the product segments such as computers, PCO facilitates the purchase for our users by directing them to the retailers or our partners in retail. In short, PCO with its six vertical web sites has become the broker, agent and source for product information content and services for Internet users.

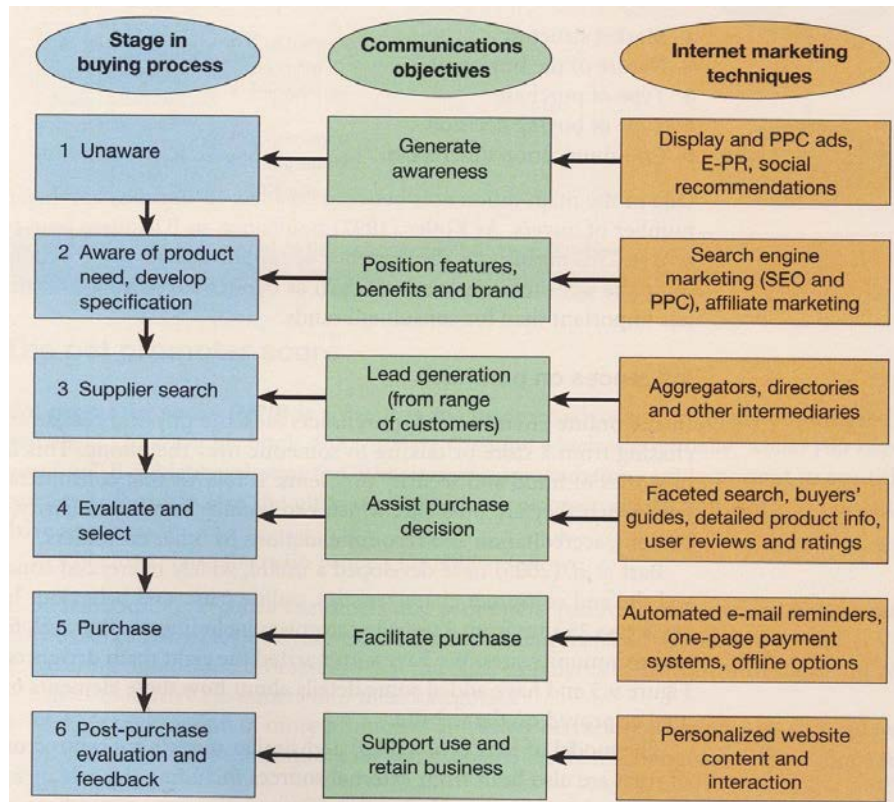


Figure 4: Summary of Consumer Buying Process on the Internet (Chaffey, 2012: 463)

One of the reasons that the Internet has become such an effective channel for consumer intelligence gathering and consumer purchase facilitation is that it is relatively easy for consumers to get most if not all the information about the products and services that interest them in a single place: the Internet. This can also be accomplished without having to leave one's home or place of work. The middle class in China, i.e. those with disposable income who are frequent users of Internet are exclusively targeted by

advertisers. Before the late nineties, television and print were still the mainstays of most markets' media plans, with radio, outdoor, and a few other forms of advertising media filling the gaps (Wertime & Fenwick, 2008: 4). However, this is no longer the case. By 2016, Forrester Research states (Hof, 2011) that advertisers will spend almost US\$77 billion online which would overtake TV advertising spend. The US\$77 billion online spend represents 35% of overall advertising spending. In other words, these advertisers who used to spend most of their advertising budget in advertising on televisions and print media are now spending a fair portion of their budget on online advertising. In fact, some of the print media is struggling to sell their advertising space. The last print edition of Newsweek was on 31st December, 2012, ending its 80-year legacy as a current affairs magazine in print format (BBC, 2012). This is a clear reflection of the growing trend of newspaper and magazines to move online as traditional advertising declines. A main reason why advertising revenue is declining in the print media of current affairs magazines is that what used to be current is no longer so when it comes to the online media. Online media is also far more cost effective when compared to printing and distribution of the magazine. Is the Internet really killing print publishing? Mark Hooper of the Guardian reported a survey in April 2012 by Deloitte which found that 88% of magazin readers in the UK still prefer to read articles via print. While half of the respondents to its state-of-the-media survey (2,276 UK consumers, aged 14 to 75) owned a smartphone, 35% subscribed to at least one printed magazine in 2011. Of course, with the adoption of tablet devices on the rise, this figure could well be out of date already – particularly given the rapid improvement in the quality of digital publications, and the

demand for them to do more than merely replicate the information content of print titles online (Hooper, 2012).

The Internet is also the biggest contributor of new advertising dollars to the global market. Between 2011 and 2014 ZenithOptimedia, a marketing consultancy, expects Internet advertising to account for 55% of the growth in total expenditure. The Internet has risen principally at the expense of print, according to Bernard of ZenithOptimedia (Bernard, 2012). The analysis was also supported by the recent financials from Google. CNET reports (Tibken, 2012) that Google generated \$20.8 billion in advertising revenue in the first six months of 2012, while newspapers and magazines in the United States made US\$19.2 billion according to Statista, a statistics portal for market data. China is no exception. The online advertising spending is growing at a higher rate than other advertising media types.

3.2 **The Mobile Internet**

The rapid adoption of mobile devices in China could leapfrog the use of personal computers as primary entry points for information on products and services (Figure 2). Personal computers and mobile devices have the advantage to engage potential customers in ways the printed media and TV cannot. With the online advertising, marketers can further engage customers with deeper and more relevant information (Alpert, 2012). Mobile devices can even go further than personal computer; users can tap into timely information anywhere and at any time. We are now in an age of mobile revolution. As Alpert says, “Mobile extends the web’s revolutionary democratization of information”

(Alpert, 2012: 7) and “has all the revolutionary power today that the web did 20 years ago-but with even greater reach” (Alpert, 2012: 13).

Mobiles transform the shopping experience. While in the store, shoppers can immediately gain access to the latest information of a digital camera by reading the consumer’s reports online and know where to get it at the best price. All these facilities aid their purchasing decisions. Furthermore, all can be done with a few touches on the screen of a mobile device. Mobile Internet can also be viewed as a disruptive technology, one that could make old business models obsolete. Amazon.com is an example of an online book retailer displacing many of the traditional book retailers such as Borders, the nation’s second largest book retailer in the United States. Borders Book store was founded in 1971 and had grown to 686 stores by 2010. However, not able to withstand the competition from Amazon.com, Borders went out of business in 2011; sixteen years after Amazon.com had operated as an online book retailer. In fact, Barnes and Noble, the nation’s largest book store has also seen their revenues tumbling as a result of Amazon.com.

Dam quoted Stankey of AT&T when he mentioned that communication overall is shifting from “point-to-point” to “many-to-many,” in order to socialize and enjoy and experience more deeply – people consuming information content together and interacting during that experience from virtually anywhere in the world”. (Dam, Nelson & Lozinski, 2008: 7)

Apple popularized the use of smartphones and tablets when they introduced the iPhone in 2007 and iPad in 2010. Gartner, an information technology and advisory

company, predicted 1.2 billion smartphones and tablets would be sold worldwide in 2013. It had also forecast that 821 million smartphones and mobile devices would be sold in 2012, making up 70% of total device sales (Lomas, 2012) including personal computers.

Today, smartphones and tablets are as functional and easy to use as the personal computers. They are more portable and easier to carry around than the laptops, making them the device of choice for consumers and mobile workers. The impact of their popularity is profound. Advertisers are targeting individuals for their advertising campaign. They are customizing their advertisements to build a deeper and more personalized relationship with their prospects. Messages can also be tailored to suit the demographics of the individual.

Mobile devices, coupled with a Geographic Positioning System (GPS), can also provide location based services. Today, consumers visiting a supermarket or department store can be alerted on their mobile devices with sales information about the items that are of interest to them. In short, the convergence of mobile devices and personal computers has given marketers a powerful tool in reaching their customers at anytime and anywhere.

Portal on the other hand is a gateway to the Internet. Initially, it was little more than a collection of useful links presented in an organized way from which users could get directions to other web sites (Weill & Vitale 2008: 18). Over the past ten years, the search portals have evolved with different business models. In the early 2000s', the Web Portals earned advertising revenue from general user traffic and impressions. In July 2003, Yahoo purchased Overture, a search firm that offered paid listings. Then, the two leading search portals, Google and Overture, focused on directed search, in which advertisers paid only

when the web users who were looking for specific product clicked on the result from the search. Google and Overture had built different, though related, businesses in which advertisers bid on the keywords used in the searches (Gavetti & Lafkas, 2011: 5).

The growth of intermediaries on the Internet has made permanent changes to the value chains of retailers, traditional intermediaries and consumers. The key functions offered by intermediaries with different business focus and competence are summarised in Table 1. The combination of these functions can be offered by a single web site by one company or different web sites from different unrelated companies. For PCO, our users could come to our web sites because they are interested in certain segments. For example, if they want to know more about the price of a certain brand of automobile, they could first make some comparison at the PCO's PCauto about the various automobile brands in the same price range. Since we also have test reports and market research information on our websites, users can easily get most of the information they need to aid their purchase. When the users are ready to make a purchase decision, PCauto also provides the names and contact information of all car dealerships in the different provinces in China. Users can then locate the dealer nearest to them and complete the sale. Along the way, PCO is helping the users in their decision making process, and in some cases, even financing information can also be obtained at PCO. PCO is playing a role as an intermediary in the value chain from manufacturers, distributors to retailers.

<i>Focus of Intermediary</i>	<i>Key Functions of Intermediary</i>
Search	To locate providers of products and services.
Specifications	To identify key product attributes, for example, the speed of a computer or the noise level of display adapters. Specifications reduce communication costs for both buyers and sellers.
Price	Prices of the products such as computers and accessories, and mobile phones; these prices change frequently hence high maintenance cost if printed media is used to disseminate the information to buyers and sellers.
Sale	To complete the sales transaction, including payment and settlement.
Fulfilment	To fulfil the purchase by delivering the product or service.
Market Research	To conduct market research of the activities of buyers and sellers in order to report aggregate activity and prices.
Audit and Compliance	To ensure the click results of the intermediaries are in compliance with the terms and conditions of the contracts, including the employment of click fraud detection algorithms (Wertime, 2008: 103).

Table 1: Key functions of Focused Intermediaries

As the interest of e-commerce and consumer intelligence gathering on products and service expands, vertical web sites, which are direct search portals focused on specific segments and communities of consumers such as automobiles, personal computers or houses, are established. According to iResearch which was founded in 2002, one of the leading market research firms in China focusing on in-depth research in China's Internet industry, including online media, e-commerce, online games, mobile Internet and wireless value-added services, the advertising revenue from the portal segment increased 6% to 2.9 Billion RMB, but the revenue of IT websites experienced a slight fall in advertisers' expenditure to 373.1 million RMB. Furthermore, the websites for women recorded a smaller increase to 157.4 million RMB. The data is an estimate based on the daily measurement of brand image advertising on 200 mainstream internet media and is shown in Figure 2. iResearch predicted that the 2013 expenditure on internet brand advertisements would increase slightly (iResearch, 2013).

These vertical web sites provide timely product or service information accurately to aid consumers in the purchase or use of the products and services. The vertical web sites derive their income from advertisers who feature their products and services on their web sites. When multiple vertical web sites are operated in a single company, the business model this company is operating is called Multiple Vertical Web Sites with the objectives being to collaborate among different verticals, share the company resources as appropriate and market to users effectively.

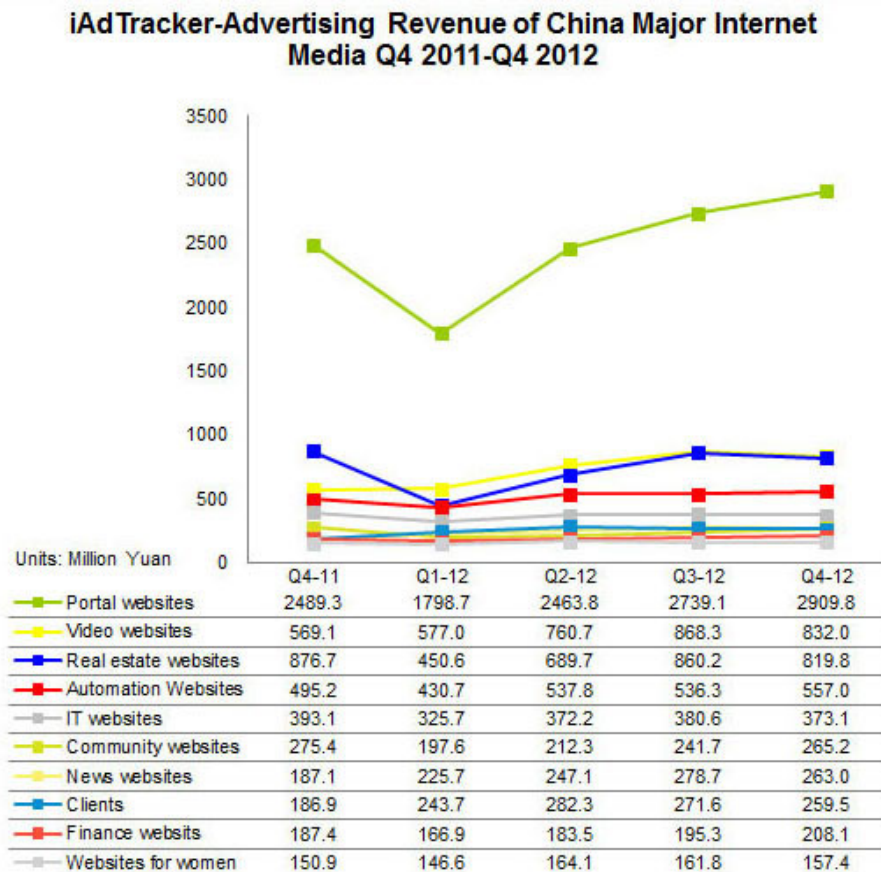


Figure 5: Advertising Revenue of China Major Internet Media. Source (iResearch, 2013)

In the past five years, Mobile Internet took centre stage in China. According to iResearch, the revenue of China's mobile internet attained 24.19 billion RMB in Q2 of 2013, up 71.4% compared with the same period in 2012 (iResearch MI, 2013). In other words, the use of web browsers has gone from being used only on personal computers to a

wide range of mobile devices such as smartphones, tablet PCs, game consoles, music players and, quite recently, televisions. Today people commonly use native applications and web applications on their mobile devices (Espada et al., 2012: 9686). However, the development of native applications on different type of mobile devices is currently quite expensive and difficult to maintain. Yet without the native applications on individual mobile devices, it is difficult for the Internet content and service providers to conduct any follow up actions which could foster a trusting relationship with the users. Alpert (2012: 152) argues that while mobile web continues to skyrocket, its usage patterns and behaviour differ from the personal computer. According to the CNNIC report (CNNIC, 2013: 44), the number of instant messaging (IM) users in China was 468 million by end of December 2012, representing a growth of 52.65 million, or a 12.7% increase compared to the number of IM users at the end of December 2011. IM has become an important tool for people to communicate with in their daily life. Besides using IM in socialising, mobile internet has also become the platform for online gaming, travel related services, online video and music and online shopping. The types of mobile applications used by mobile users in China are shown in Figure 6. Mobiles are well suited to follow specific links and look up particular information. This can include following a link that someone posts on Twitter, looking up flight information or reading a blog. Alpert (2012: 152), however, considers the mobile web not well suited to research and exploratory web surfing as a smartphone is constrained by space or “screen real estate”. When surfing the web with a personal computer, users can easily create bookmarks as well as take notes or send emails while mobile users will find it very difficult and time consuming to do that. Another

limitation for mobile users is filling out forms; for without keyboards, smartphones are not suitable for user input with extensive data entry requirements.

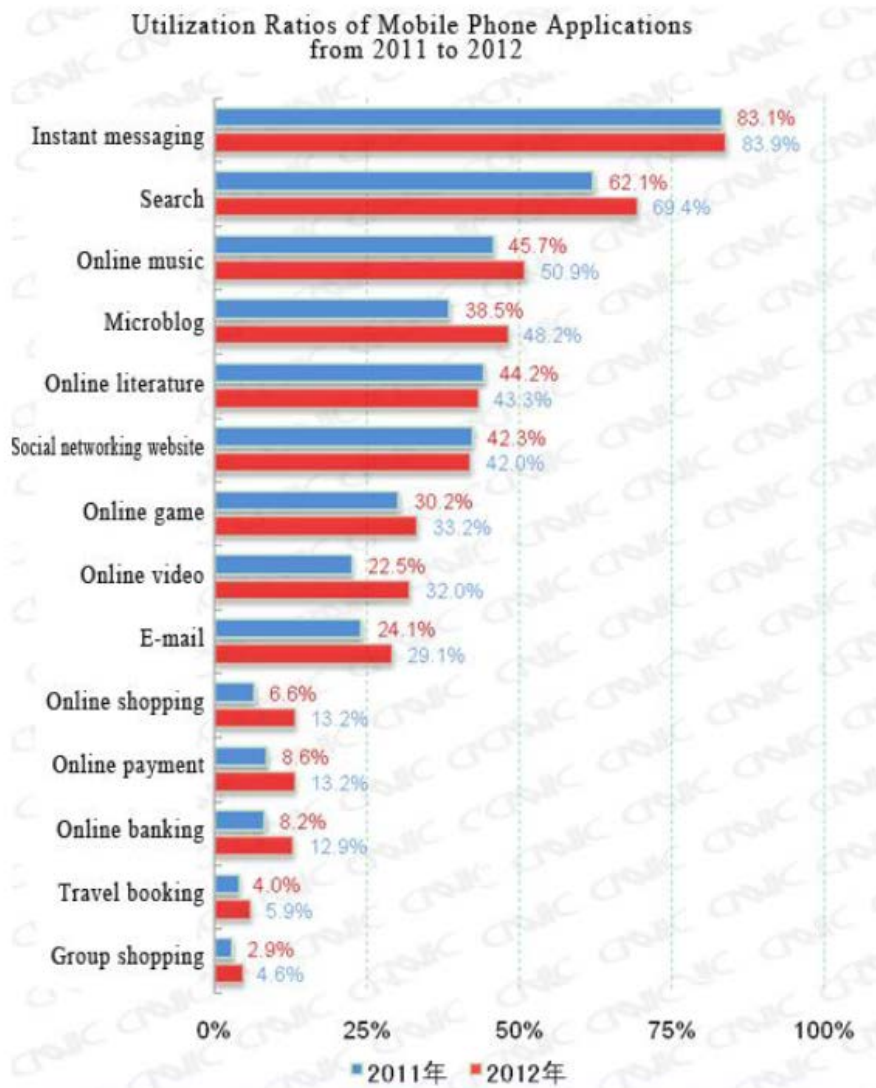


Figure 6: Mobile Applications by Mobile Users in China. Source (CNNIC, 2013: 53)

Nike CEO Mark Parker told the German magazine 032C that Nike is committed to being at the forefront of Customization and Integrated Digital Technology (Alpert, 2012: 179). For Nike, the mobile is not a way to sell more products or direct people to its stores. Rather, it's an opportunity to find new and creative ways to support the passion for sports and build the on-going relationships in a lifestyle brand.

"We are now communicating much more surgically with individual communities alongside our broader communications that go out to the world," Parker quoted (Alpert, 2012: 179). Mary Meeker, Head of Morgan Stanley's global technology research team, as saying:

"The world is currently in the midst of the fifth major technology cycle of the past half a century. The previous four were the mainframe era of the 1950s and 60s, the mini-computer era of the 1970s and the desktop Internet era of the 80s. The current cycle is the era of the mobile Internet". Meeker argued that within the next five years "more users will connect to the Internet over mobile devices than desktop PCs as shown in Figure 77" (Ingram, 2012).

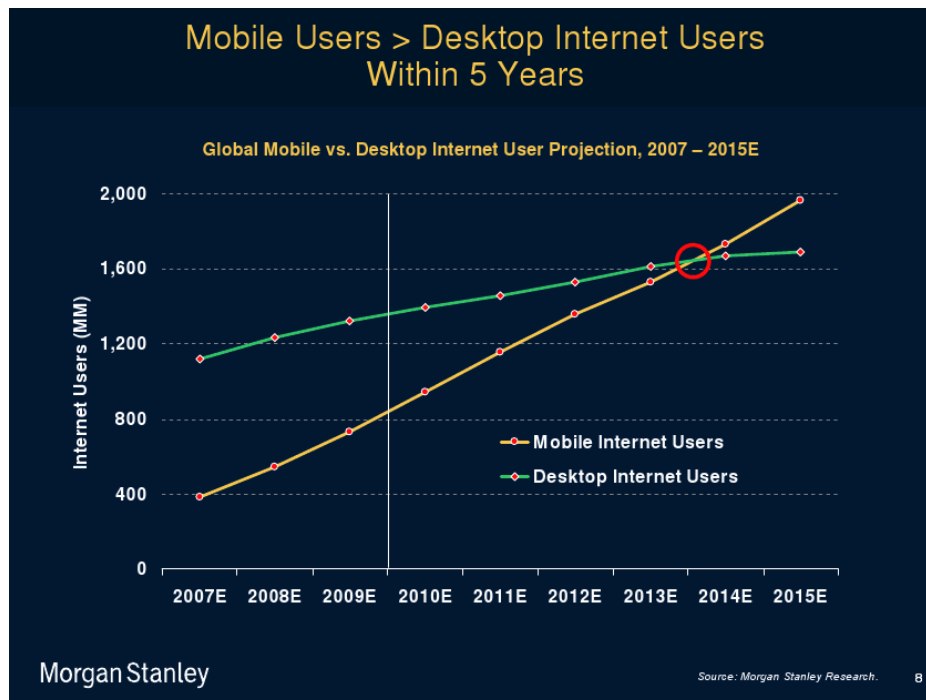


Figure 7: Global Mobile vs. Desktop Internet User Projection 2007-2015E

To succeed in the Internet business, we have to understand the bigger revolution underway (Alpert, 2012: 185). Today, the use of mobile devices is much more than just finding the nearest restaurant or locating friends for a drink. Mobile technology has become a way to get information about pricing from insurance and housing to automobiles, etc. Furthermore, especially in China, the mobile device is a convenient and affordable substitute for a computer. This change in the technology and user behaviour is supported by the latest trend in sales of mobile devices in China. TechCrunch quoted Yang Yuanqing, CEO of China’s largest PC manufacturer, Lenovo, “Our smartphone

sales in China reached almost 5 million this quarter. Total phone sales volume reached almost 7 million to surpass our China PC volume for the first time” (Lomasb, 2012: 1). When it comes to the tablet market in China, Gartner, an information technology and advisory company, expects shipments of media tablets to match shipments of mobile PCs (such as laptops) by 2016. Gartner expects the average price of media tablets will drop from US\$262 in 2011 to US\$176 in 2016, and predicts shipments of media tablets will reach 57 million units in China in 2016, nearly matching mobile PCs at 58 million units (Lomasb, 2012:1).

The significance of the mobile Internet revolution cannot be underestimated. The mobile phone giant China Mobile, the world’s largest wireless network operator, has recently stated their intention to move into the Internet online market in a big way. South China Morning Post, one of the English newspapers in Hong Kong, reported (Yu, 2012) that China Mobile had confirmed it was working on setting up an Internet company, ending months of speculation. This move shows China Mobile’s determination to tap into the fast-growing mobile Internet industry.

Jansen (2011: p. 6340/8411) understands the tremendous impact that mobile devices and applications will exert in the Internet. The effect of mobile technology is having a dramatic effect on how Web searching is conducted as well as introducing avenues of search that totally bypass the Web. Furthermore, the increased use of smartphones is having a dramatic effect on searching behaviour, and hence a dramatic effect on sponsored searches. For example, a user with a mobile phone and appropriate app software can connect directly to e-commerce web sites.

Smartphones hold more personal information than personal computers such as name, number, and location. This increased ability of the mobile devices which contain our identities, locations and preferences will continue to affect how we search and therefore how advertisers will structure sponsored-search campaigns. For example, navigational queries are quite common on web search engines, but they have a whole new meaning when executed on a mobile phone. A navigational search on a mobile phone may indicate an immediate desire to physically visit a business, for example. A similar marketing opportunity occurs with product-related searches on mobile devices. Similarly, as more and more retailers provide their own applications to searchers, people will be able to associate with brands directly, bypassing search engines and linking consumers directly with business Web sites. Sponsored-search services will have to adapt to this new mobile environment with advertisements on mobile phone platforms and with advertisements that integrate with the brand's own applications.

One of PCO's competitors, SOHU.COM, is offering different mobile related services through different types of wireless products to mobile phone users. A review of SOHU.COM's brand advertising business offered to users over their web content and services indicates that they have used various products and services across multiple Internet-enabled devices such as PCs, mobile phones and tablets. Their wireless products mainly consist of instant messaging (IM), interactive voice response (IVR), mobile games, mobile video and Ring Back Tone (RBT). A majority of the content is purchased from third party content providers.

Chapter 4 LITERATURE REVIEW

The focus of this literature review is to review the existing academic literature for the topics under research and identify the existing knowledge by researchers on the theories and issues in addressing the research questions of this research project. My goal is to analyse and understand the relationships between different ideas and issues related to the topics relevant to the research project and use the result from the literature review to support the arguments within this research project.

This chapter will be divided into two parts: The first part focuses on the Internet media business in China, the change of consumers' behaviour, the forces affecting the MVWS and the emerging technology on mobile internet, and the second part concentrates on the theory on cooperation and competition and relevant research studies in China. Both topics are important to the research on the sustainability of PCO for the following reasons:

- (1) Understanding the trends of internet development in China is fundamental to the development of PCO's strategy;
- (2) PCO would need to understand the users' preference in order to develop the information content for our vertical web sites. The change of consumers' behaviour and reference could determine whether PCO is leading or lagging behind the competitors;
- (3) Building trust with users' could help PCO in developing longer term relationships with them; these relationships could differentiate our offerings to users and enhance loyalty and traction with them for the PCO's business;

- (4) Understanding the forces affecting the industry would give PCO the edge in developing the strategy and organisational capabilities to counter the competitive forces;
- (5) The market that PCO is targeting represents the opportunities and challenges facing PCO, understanding the trends and competition are essential in the allocation of resources of the company;
- (6) Mobile internet has been widely used in the area of communication and social media. The application of mobile technology in PCO could separate a winner and loser in the business in the near term. Hence the position of mobile technology and enabling PCO with the know-how is of importance to PCO;
- (7) Organisational capability is what PCO used to compete in the market.

What I observe and would want validation from the academics for is how critical is it that without the organisational capability, in particular, internal cooperation and competition among verticals, MVWS as a business model, could survive in the future. This is especially important as there is rapid change of consumers' behaviour, technology used in the business and intense competition in the internet media business. The theory of cooperation and competition, research studies related to cooperation, competition and collaboration, and the insights and experience in the management of cooperation and competition in Chinese companies would be most important to understand and develop solutions to address the issues and challenge facing PCO.

4.1 Internet Media Business and MVWS Business Model

4.1.1 INTERNET DEVELOPMENT IN CHINA

China Internet Network Information Centre reported (CNNIC, 2013) that as of December 2012, there are more than 564 million Internet users, an increase of 50.9 million users over a year ago. The report also states that there are 422 million mobile phone Internet users in China with an increase of 64.4 million over the same period in 2011. The use of the Internet is not restricted to the major cities in China. The report gives the breakdown of the demographic and geography and states that there are 156 million rural Internet users, an increase of 19.6 million users over the same period in 2011. The age distribution of Internet users in China in 2012 and 2013 is shown in 8. A little more than half of the Internet population (54.4%) is aged between 10 and 29. This age group is also the primary target users for PCO in the six vertical segments (CNNIC, 2013: 24).

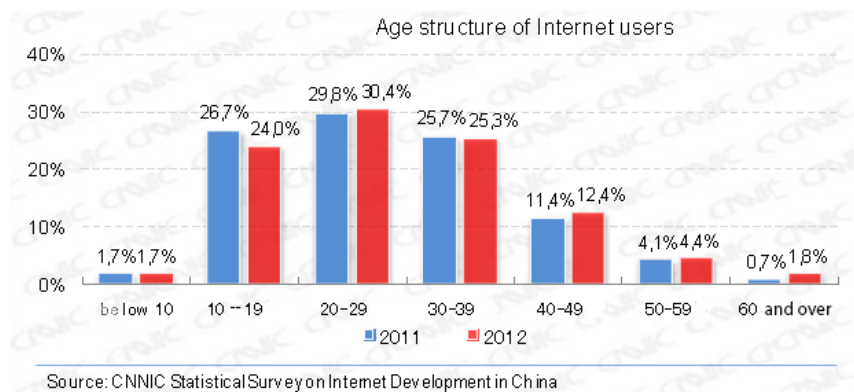


Figure 8: Age Distribution of Internet Users in China in 2012 and 2013 (Source: CNNIC, 2013:24)

For the gender breakdown of Internet users in China, 55.8% were recorded as male and 44.2% female in 2012 (CNNIC, 2003:23). The comparison of the gender breakdown is shown in Figure 9.

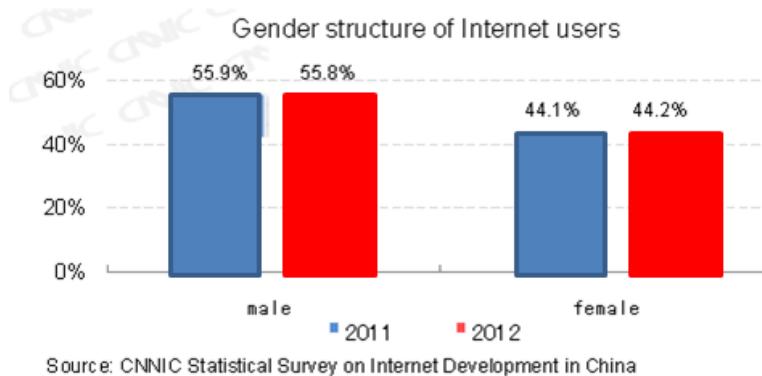


Figure 9: Gender Structure of Internet Users in China in 2012 and 2013 (Source: CNNIC, 2003:23)

4.1.2 THE CHANGE OF CONSUMERS' BEHAVIOUR IN CHINA

“It is hard for brand managers to keep pace with the shifting attitudes of Chinese consumers” (St-Maurice, Sussmuth-Dyckerhoff & Tsai, 2008: 3). In a McKinsey study, the buying preference of the Chinese consumers was expanded:

“In European and North American markets, emotional attributes such as “trendy” and “cool” can sway away large segments of consumers. But in China, brands are powered mostly by their functional characteristics, such as quality and taste. For consumer electronics, personal-care

products, and food and beverages, the top three factors that this year's (2008) respondents cited for deciding what to buy were all functional. Functional characteristics also ranked high when we asked respondents what brand attributes inspire their loyalty" (St-Maurice, Sussmuth-Dyckerhoff & Tsai, 2008: 3).

Traditional marketing channels such as television and printed media are still indispensable but their power is declining while recommendations from family and friends, new marketing channels such as sponsorships and the Internet including social media are gaining strength (St-Maurice, 2008). One force driving the consumption boom is that the Chinese are very status conscious (Wang, 2012). The Chinese are also under considerable peer pressure and feel the need to buy products their friends and neighbours have so as "not to be left behind". A recent article stated (Wolonick, 2013) that owning an iPhone is a wildly popular status symbol for urban youth in China. Of course those unable to afford Apple products may want a piece of the action as well, so fakes and counterfeits have proliferated.

In the West, online activities have transformed existing businesses and created new ones. In China (Precourt et al., 2008), in contrast, the Internet fills the gaps and provides what is unavailable elsewhere, particularly for young people. More than 70% of Chinese Internet users are under 30, precisely the opposite of America, and there is an enormous pent-up demand for knowledge, information, entertainment, amusement and social interaction.

China is now the second-biggest economy, after the United States (St-Maurice, 2008), and its consumer sector may be the healthiest of any major country. In the past, companies could enter the Chinese market with their existing products, strip them down to

basics, and then sell them at low prices throughout the country. Today, local consumers appreciate and demand better products. Many companies that have struggled to find a niche in China may now find a market for their products and attract partners. Conversely, companies that have relied on low-cost, low-quality business models may end up on the losing end of trade-off decisions and could require a shift in values.

In China, television remains the primary source of product information for consumers. However, online sources, by comparison, reached 24% of consumers, according to a recent McKinsey study (Atsmon et al., 2010: 5). Many Chinese consumers won't even consider brands without having seen them being advertised on television, believing that those capable of affording expensive advertising spots must be backed by successful companies. According to McKinsey's 2010 survey:

"More consumers rated online advertising (56%) than TV (46%) more credible – a stunning change of perception. In 2009, TV ads were creditable to 55% of consumers and online ads to only 26%. The Internet is gaining clout in other ways too. One in four Chinese Internet users will not purchase a product before researching it online, a sharp increase from 2008" (Atsmon et al., 2010: 5).

The rapid growth in the online advertising business is not just a Chinese phenomenon. At the end of 2009 (Turow, 2011), 92% of online households representing 72% of total U.S. households, possessed high-speed Internet connection. As a result, there has been an increasing number of rich-media and video ads. Furthermore, with the help of audience-rating companies like Nielsen <http://www.nielsen.com/uk/en>, comScore <http://www.comscore.com/> and iResearch <http://www.iresearchchina.com/>, advertisers can evaluate the impact of their online advertisements. Accordingly, the

pricing models for many Internet marketing offerings by Internet companies are based on results of the advertisements. While the Internet is a global medium, its content is local to each country. Apart from the language difference, the content must address the cultural differences as well. In online advertising, similar to traditional advertising, creative strategy involves determining the basic appeal and message that an advertiser wishes to convey to the target audiences (Belch & Belch, 2004 cited in Li, Li & Zhao, 2009: 127). Duncan and Ramaprasad (1995) distinguish between creative strategy and creative execution, suggesting that strategy refers to the 'creative selling proposition', whereas the execution refers to the actual elements and their structure in an advertisement. In other words, strategy deals with 'what to say' while execution deals with 'how to say it'. Wei and Jiang (2005) differentiate creative strategy from execution, claiming the creative strategy embodies the themes, positioning and focal point, whereas the aim of execution is to execute the creative strategy by selecting advertising appeal, copy and illustration. They also find that cultural differences in target markets affect creative execution more than creative strategy (Li, Li & Zhao, 2009: 127).

When placing Internet ads, advertisers must address issues related to website selection, ad position and frequency or number of times the ad runs. Moore, Stammerjohan & Coulter (2005) defined website context as a primary product information focus. The relevance of the web context for the product is more important for high-involvement products, because a consumer tends to focus on specific information to make rational decisions about such products. For low-involvement products (Li & Zhao, 2009), however, peripheral cues, such as ad size and animation (Cho, 2003) or web reputation (Shamdasani et al., 2001) may have greater influence. Apart from product and context

congruence, web traffic represents another consideration. Users and potential customers are more likely to visit well-known websites rather than unfamiliar ones (Shamdasani et al., 2001). It is no surprise, therefore, that heavily trafficked websites generate more advertising revenues. In China, for example, several popular portals such as Baidu, Sina, Sohu, Yahoo! China and MSN China grab a large portion of the Internet advertising revenues.

4.1.3 BUILDING TRUST WITH USERS

Every attempt is made to build trust with users through our information content on our websites; we try to avoid bias and achieve objectivity. However, it is hard to do, but it helps rather than hinders the cause, to be aware of this.

“Unlike advertising, consumer perceived information from magazines and newspapers is neutral and more credible because they usually presume the editorial content and product coverage in these sources are independent and free from advertisers’ influence” (Rinallo & Basuroy, 2009: 33).

In a study (2002-2003) comprising 291 fashion companies based in Italy and their advertising and product coverage data published in newspaper and magazines of 123 publishers from Italy, France, Germany, United Kingdom and the United States, Rinallo and Basuroy (2009: 33) found

“(1) There is evidence of a strong positive influence on coverage, (2) Publishers that depend more on a specific industry for their advertising revenue are prone to a

higher degree of influence from their corporate advertisers than others, (3) Peer pressures from competing publishers affect coverage decisions”.

As media companies, Multiple Vertical Web Sites are potentially faced with the same issues in regard to the perceived bias in their editorial content and product information since their primary source of income is advertising. Under these circumstances, to what extent are Multiple Vertical Web Sites neutral in the coverage and recommendations of their advertisers’ products? Although much research has been done on advertising on sales, profit, increased price premiums, customer satisfaction etc., (Rinallo & Basuroy, 2009), little research has been conducted on whether advertising influences media coverage and recommendations of products. Much less research has been conducted with Multiple Vertical Web Sites in China on the same topics. Even with this perceived bias on coverage by the media in China, recent studies confirm the increased demand of the readership from the Multiple Vertical Web Sites, a steady growth on online advertising year-by-year and high user satisfaction with the Multiple Vertical Web Sites services. Looking at the various Vertical Web Sites for the IT and Auto segments, one key benefit users can obtain from their services is the simplification of the product selection. Users can easily line up a few similar laptops or different brands of cars in the same price range and compare the features and functions. Another key benefit is that users can get market guidance and expert advice even though they know there could be some influence from the advertisers. After all, even when they know they do not have to pay for the services rendered from the Multiple Vertical Web Sites because advertisers are footing some of the bills, they welcome getting the latest information for free. While the convenient factor plays a role in the users’ acceptance of the content delivery from the

Multiple Vertical Web Sites, timeliness and accuracy of product information could also play a part in their continued use of the services provided by the Multiple Vertical Web Sites. Another argument on media bias we sometimes come across is that diversified publishers, magazines and search portals with no affiliations to a specific industry or segment tend to be less biased in their coverage on products and services since they are less dependent on the advertising revenue provided by any single industry or segment. While these media outlets may give a good review on a product once in a while, consumers may not find them comprehensive enough to help them in their selection. After all, consumers are bombarded with an array of products in the market with new products replacing old products, particularly in the IT world, almost quarterly. Therefore, once the consumers place their trust on a few media sources and have a good experience with their services, it would be hard for them to make the switch for good reasons. Today, we have seen the importance of trusted brands like eBay, Amazon.com and Google; as they expand their businesses and capability, users (or customers) follow.

Most marketers are similar with the sponsorships in the traditional channels (Wertime & Fenwick, 2008: 105) in which companies put their branding on a media property, an event, or even an F1 car. However, in digital channels, sponsorship can be around content. For example, an airline supplies travel information to a vertical portal as part of sponsorship. The key advantage using the digital channel is that consumers can click on the sponsored material from the advertiser or the airline website and either get additional travel information or complete the purchase. For the marketers or advertisers, sponsorship advertising provides a great marketing opportunity to interact with the consumers in real time.

4.1.4 MVWS BUSINESS MODEL

Researchers suggest that business models are critical constructs for understanding value creation in business (Gerard & Adam, 2011: 83, Chesbrough & Rosenbloom, 2002: 532, Teece, 2012: 172). Organisational design, resource allocation, the content, structure and governance of business transactions, innovation and opportunities are explicitly and implicitly described in the business model (Gerard & Adam, 2011: pp 86-89) which could also act as the basis to formulate the guiding principles for the business operation. One other aspect that Gerard and Adam described as an element of the business model is the narrative or story telling description as a key driver of the organisational outcomes. While I understand story telling can be a powerful way to analyse and understand the organisational culture and business history (Rowlinson & Procter, 1999: 379-380) , I would not include story telling as an element of the business model.

MVWS has been the business model for PCO ever since I expanded from a single vertical website to multiple vertical websites with a shared infrastructure and management. The reason why MVWS will still be the business model applicable to PCO in the future is that MVWS is scalable to meet the increasing demand of the Internet users in China. Moreover, I could also expand the scope of the business by adding more vertical segments and by constantly refreshing their information content. These economies of scale and scope are the competitive advantages in the market. PCO has grown by double digits year after year since its incorporation. However, one of the key success factors in managing the PCO lies in the ability to optimise the use of resources in PCO. In other words, PCO has to produce and distribute deeper and more relevant information content to the users, share its knowledge among different verticals freely, maximise the business opportunities across the vertical segments of the company, reduce the time to market PCO products and services to the users and satisfy the advertisers' requirement in their marketing campaigns.

All these require PCO to have an effective organisation design, the optimisation of the resource allocation and utilisation across PCO, and the ability of PCO to continuously innovate and explore and capitalise on the business opportunities in the market. One common requirement to enable PCO to achieve a sustainable business performance is to gain the management and employees' willingness to share, cooperate and collaborate across all verticals. In this respect, PCO can optimise the resource usage and maximise the business opportunities presented. Furthermore, PCO must also have clear vision and cooperative goals so employees know what is expected from them and can perform cooperatively.

4.1.5 FORCES AFFECTING THE MULTIPLE VERTICAL WEB SITES

There is a marked difference between the Multiple Vertical Web Sites and the Comprehensive Portal. Multiple Vertical Web Sites are Internet content and service providers for specialised audiences or for a particular industry segment. Li states that (Li, 2012: 136-138, translated from Chinese to English) Vertical Web Sites bring together special industry segments or communities of interest and share specific information of interest across a common platform in buying, selling and exchanging products and services. In fact, the development of the Multiple Vertical Web Sites is the product of the refinement of the comprehensive portal and a natural development of the Internet Development. Li also argues that, beside possessing most of the characteristics of the Traditional Search Portal, Vertical Web Sites have two most important and unique characteristics, namely, (1) Specialisation and (2) Brand Development.

Firstly, unlike the traditional Search Portals with the ability to attract a large audience and through their search capability, gather large amount of information on specific topics, Vertical Web Sites focus on an industry segment. With a deep knowledge of the subjects in the segment and the ability to provide timely and relevant information related to the subject, Vertical Web Sites attract and retain the target segment. Furthermore, Vertical Web Sites do not limit themselves to the initial dissemination of information; many Vertical Web Sites today provide the information for downstream such as marketing, sales and order fulfilment. The latter operation provides a higher level of value added service to the consumers and achieves a higher profitability for the Vertical Web Sites. Secondly, the ability of the Vertical Web Sites to support the strategic brand development is far more superior to the comprehensive Search Portal. As Li (2012: 136-138) pointed out, the purpose of the strategic brand development is to promote the competitiveness of the products for the manufacturers and advertisers in the market and enhance the image and competitive advantage of their brands. Essentially, the sustainability of the Multiple Vertical Web Sites business is fundamentally dependent on the image and branding of the Multiple Vertical Web Sites to the consumers. Therefore, the ability of the Multiple Vertical Web Sites to help manufacturers and advertisers in strategic brand development is a critical success factor.

Multiple Vertical Web Sites are essentially a media company. Media is defined (Stevenson & Waite, 2011: 887) as the main means of mass communication (especially television, radio, and newspaper) regarded collectively. Like commercial television, radio and most of the newspapers, Multiple Vertical Web Sites depend on content, also known as programmes in television, to attract their audience. Furthermore, advertising, in most

cases, is the main source of revenue for television and radio. While there are similarities in the business model of the Multiple Vertical Web Sites, television, radio and newspapers, the delivery mechanisms vary. Multiple Vertical Web Sites deliver their content solely through the web while televisions deliver their programme mainly on air and by cable. Lately, the delivery of television via the web is gaining some interest and momentum. With some additional hardware, one can watch Google TV on a High Definition TV. In the future, this specialised hardware can be integrated in the television. Printed newspapers are treating the web as an important distribution channel to master. The web has a key advantage over traditional media because the cost of distribution is minimal and there is no time delay in reaching the audience. Content on the web can also be updated in real time making the currency a key reason why readers prefer the web over the printed media (Thompson, 2012). In addition, as mobile devices for online Internet are gaining popularity, the use of the web as an alternate channel for mass communication and content distribution is also gaining speed. Mass media companies are interrelated as Turow (1992: 5) argued these interrelationships form the media system of a society. However, the topic of how different media companies are interrelated is beyond the scope of this thesis. Nevertheless, Turow (1992: 5) stated, “in order to understand the mass media’s present and future, we have to gain a broad understanding of the organisations, strategies and power considerations that guide the creation of the mass media materials”.

In the Multiple Vertical Web Sites, individuals may read the consumer reports for a new digital camera or television set or the report on the test drive of a new car, but when it comes to releasing the final products, there are a variety of formats and interactions to consider. Display ads (Wertime & Fenwick, 2008: 92) are increasingly using rich media

including movies, flash animation, streaming video and audio, games and interactive actions with mini-forms filled out to obtain more relevant details. Banners and buttons are often expandable. As the technology used in display ads evolves rapidly, the creator of the original content is seldom involved with all the events taking place when the content is being read. Hence, it is important that the content creator or editors are working closely with other people in the organisations (Turow, 1992: 5) to get the work completed and released to the public. Of equal importance, Turow continued to argue, those organisations must interact with other organisations if the work is to be released to the intended audiences.

All these activities involve issues of strategy and power that go beyond the individual. In other words, organisations, strategies and power have to be understood if the process of creating and distributing information content across the online media is to be effective.

4.1.6 THE MARKET OF THE MULTIPLE VERTICAL WEB SITES

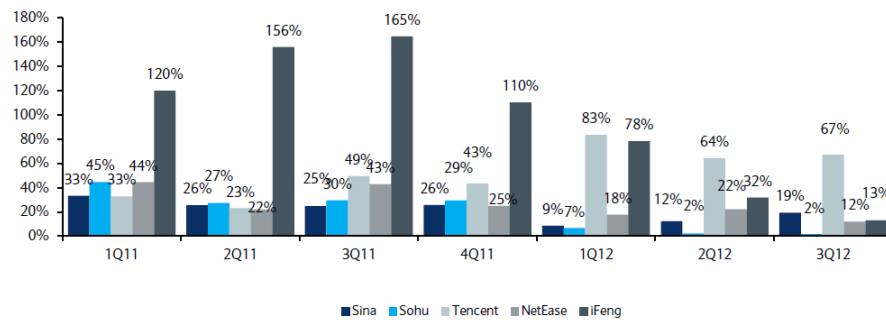
The Vertical Web Sites are engaged in the provision of specialised information content designed to provide online users with products and brand information required for them to make informed purchasing decisions. Revenue for the Vertical Web Sites is principally derived from the online advertising services.

Managers of search portals are constantly looking for new avenues to maintain their growth as they see their revenue declining due mainly to the advertisers' change in apportioning their advertising budget to the mobile advertising segment. The CPC (Cost-Per-Click) would trend down, according to a recent Equity Report (Citi, 2012) on Baidu.

The mobile Internet will be Baidu's key challenge as mobile search is a brand new ad product for many advertisers, and many online advertisers in China do not have mobile web pages as they lag behind in the adoption of mobile Internet. Selling mobile search to them could be like selling search ads in 2004 when most companies did not have websites. Furthermore, Search Portal is no longer the gateway to the Internet on Mobile OS (Operating System). On desktop, users access the Internet by opening up browsers, typing keywords in the search box, and selecting websites. On smartphones, native apps (and apps Stores) disintermediate search as the gateway to the web. This change caused by Mobile Internet could bring new opportunities and challenges to Multiple Vertical Web Sites as well. In order to capitalise on the business opportunity, Multiple Vertical Web Sites should develop new apps for their users as a way to bring them to their specialised content. Like the traditional Multiple Vertical Web Sites, potential customers can determine the relevancy of the content offered. With the introduction of the apps, Multiple Vertical Web Sites could establish the trust with their users. In fact, this is a competitive advantage and differentiators made possible by Mobile Internet, which is a key advantage over the traditional browsing by users on the vertical web sites. The fact that Multiple Vertical Web Sites are bringing new users or existing users from a new channel, namely the Mobile Internet, which would attract mobile advertising in their Multiple Vertical Web Sites means a new business opportunity would then be created. However, Multiple Vertical Web Sites are facing similar challenges to other companies today. The specialised content must be revamped as mobile web pages need to be meaningful for the mobile users. Additionally, the processes for the information dissemination to users and lead direction to product manufacturers would have to be reengineered for the mobile environment. With the shift of advertising revenue to Mobile Internet, the challenge is for the Multiple Vertical Web Sites and Vertical Web Sites who are still struggling with

Mobile monetisation to implement the Mobile Internet initiatives without hurting the margins and earnings growth (Figures 10 & 11).

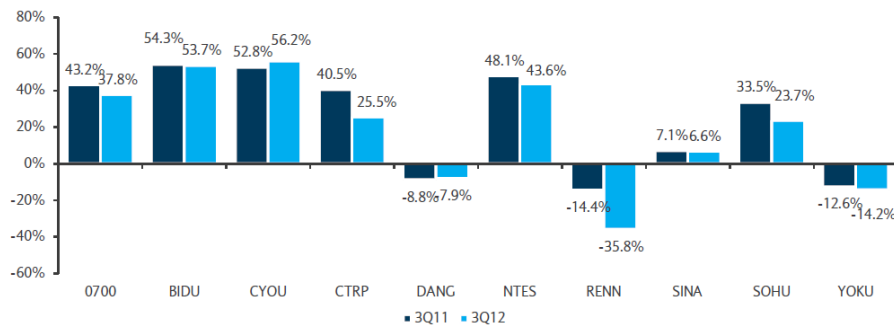
China's online portals – quarterly brand ad revenue comparisons, y/y growth rates



Source: Company data, Barclays Research

Figure 10: China's Online Portals – Brand Ad Revenue Comparisons, y/y Growth Rates (Source: Barclays Research)

China Internet companies' Non-GAAP operating margins comparison (3Q12 vs. 3Q11)



Source: Company data, Barclays Research

Figure 11: China Internet Companies' Op. Margins Comparison (3Q12 vs. 3Q11) (Source: Barclays Research)

Internet portals and Mobile operators are eager to be the early movers in the Mobile Internet market. NetEase, China's second largest online games operator, is boosting investment in Mobile Internet (CHEN, 2013) despite the fact that "Mobile Internet services are not likely to contribute a lot of revenue" in the near future, said the company CEO. Most of China's Internet companies have seen mobile traffic rise quickly as 420 million people, or 74.5% of the country's total Internet users, accessed the Web via mobile devices at the end of December 2012, iResearch confirmed. Renren, a Chinese social network service also known as China's Facebook, has shifted their focus to wireless devices in product development, with some products only offered to wireless device users (ChinaScope, 2012).

The CEO of China Mobile, the world largest Mobile Operator in China, recently stated (ChinaScopeFinacial, 2012) that 2012 marked the Mobile Internet era and his company has started the transformation accordingly with the opening of two new Internet companies and the restructuring of seven current operations into seven new companies; each with new management structures. Furthermore, the company has reformed their Moternet website into a mobile app store.

The demand for Mobile Internet has also created a high demand for smartphones and tablets. Recently, Gartner (Ward, 2012) predicted there would be 1.2 billion 'smartphones and tablets' sales in 2103 worldwide; up from 821 million in 2012. The increase in the demand of mobile applications is also seen globally. Figure 12 shows the number of apps in Apple's App Store since 2008. In just a short few years, the number of mobile apps has grown to 775,000 with about 300,000 written for the iPad (Costello 2013).

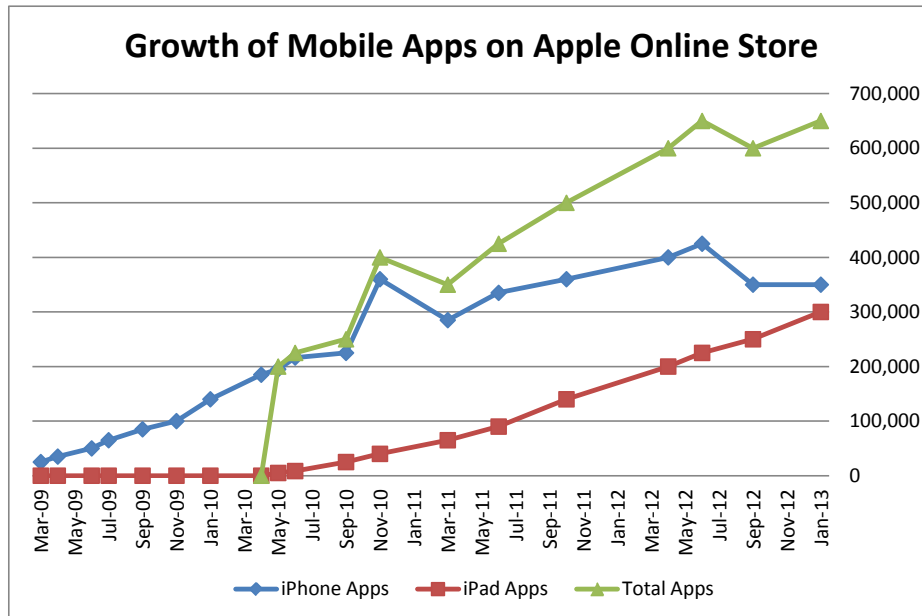


Figure 12: Growth of Mobile Apps on Apple Store - 3/2009 to 1/2013, Charting from modified data (Costello 2013 cited original data provided by Apple Inc.)

The adoption of Mobile Internet could vary from one Vertical Web Site to another. For example, Vertical Web Sites focusing on Auto could see the needs from their customers being satisfied by the information obtained from the Auto Vertical Web Sites along with the marketing and promotional campaign sponsored by local Auto dealerships. Shopping for an auto loan and auto insurance can also be greatly facilitated with the help of another mobile application while the buyers are at the dealerships. When the consumers have great experiences using the Mobile Internet, they will continue to use it, driving yet more applications. From the Vertical Web Sites' perspective, the seamless linkage of real time, interactive Mobile applications and the specialised content on the Vertical Web Sites

is critical to the future of the Multiple Vertical Web Site business model. However, the content provided and processes currently used by Multiple Vertical Web Sites would need to be modified substantially or completely redesigned in order to satisfy the consumers while they are on their mobile devices. In other words, simply providing the same content information on the new mobile device would not address the market needs. Similarly, mobile advertisements on mobile devices would need to be customised with the customers' needs in real time. Interactivity for the Mobile applications is important as users' requirements can be captured in real time and the value of the mobile applications would be determined by the timeliness and relevancy of the information provided. Additionally, as the result of the new capability of the Mobile Internet, Multiple Vertical Web Sites could seize the opportunity for partnerships with a variety of stakeholders along the purchase chain.

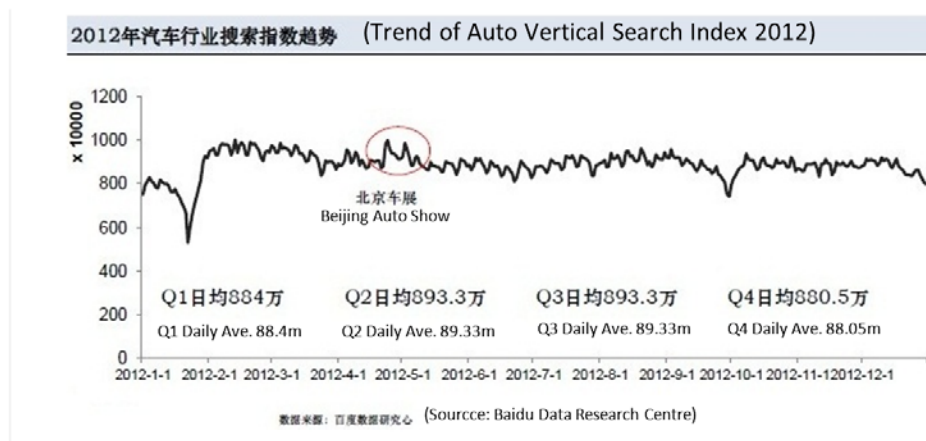


Figure 13: Trend of Auto Vertical Search Index 2012 (Source: Baidu Research Centre)

Among all segments of the Multiple Vertical Web Sites in China, the Auto segment is the most active. One of the leading Internet research centres, Baidu Data Research Centre, recently reported that the average daily search in 2012 in the Auto segment to be 88.77 million, an increase of 28% over 2011 (BDRS, 2013). Furthermore, the daily search volumes peaked during the Beijing Auto Show in May 2012 as shown in Figure 133.

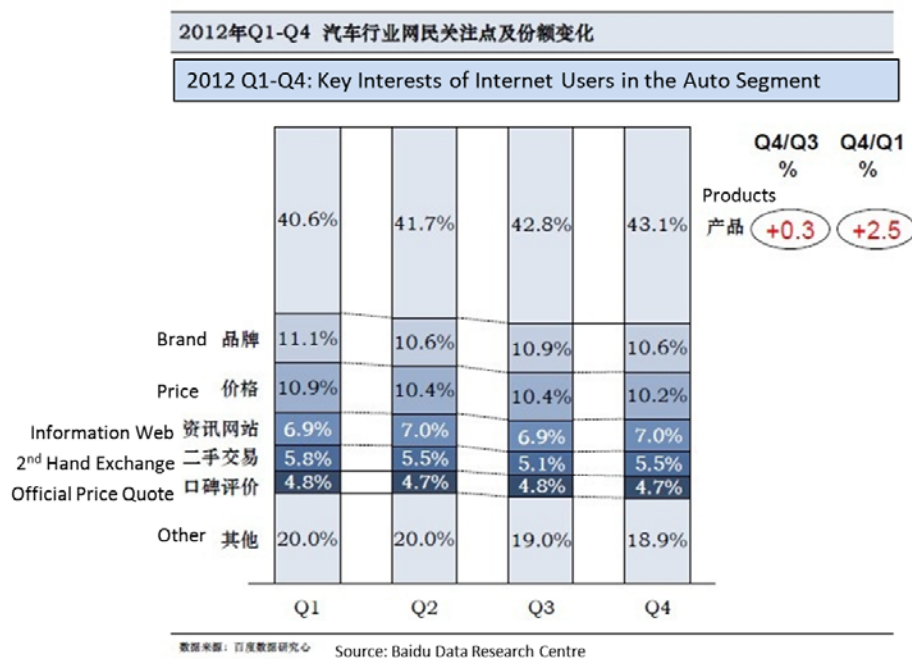


Figure 14: Key Interests of Internet Users in the Auto Segment 2012 (Q1-Q4)

The search for Auto Products such as car models on the Internet in China has steadily increased (Figure 144); this is predictable as the number of new and used cars

sold in China is also increasing annually. Besides, there are more and more new car models in the Chinese market today and the buyers are typically young Chinese who are browsing and tweeting on the Internet frequently. A recent report from McKinsey & Co. (Wang & Hein, 2012: 10) stated that:

“Chinese consumers are becoming increasingly sophisticated about cars, and are developing strong preferences, following in the footsteps of consumers in Japan and the West. Millions are preparing to upgrade to bigger, higher-priced models. At the same time, they are displaying increasingly diverse behaviour and needs. Automakers should invest in better understanding these evolving consumer attitudes, and prepare accordingly for the Chinese market of the future”.

4.1.7 THE POSITIONING OF THE MOBILE INTERNET IN THE INTERNET

MEDIA BUSINESS

Okazaki and Barwise found (2011: 59) that mobile advertising is a young, fast-growing part of marketing communications. Although initially over-hyped, it is now starting to take off for real. PRNewswire reported (2012) that the advancement of the 3G technology and mobile devices has led to a flourishing of the mobile Internet industry. According to a recent report, Meeker (2012) stated by end of 2012 there were close to 2.4 billion Internet users worldwide, an 8% year-to-year increase. China has the most number of Internet users; 538 million with a 10% year-to-year growth while the US has 244 million Internet users with a 3% year-to-year growth.

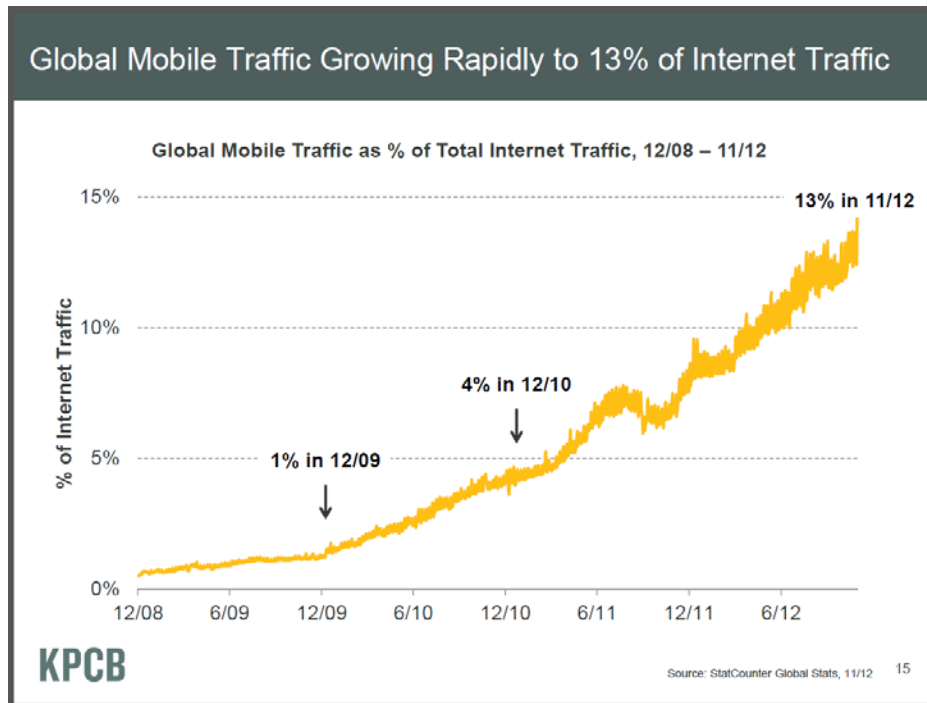


Figure 15: Global Mobile Traffic 2008 – 2012 (StatCounter Stats, 2012)

The Internet has been used by businesses and users since mid-1990, but the Mobile Internet really started to take off only 4 years ago. The fact that it has only taken the Mobile Internet such a short time to reach 13%, as shown in Figure 155, of the total Internet traffic is of great significance as it demonstrates the high demands and usefulness of Mobile Internet to the businesses and users.

In the past decade, virtually the entire media ecosystem has changed (Precourt, 2009), particularly, the way the consumers process advertising messages. The mandates

have switched from talk to listen, from display to conversation, and from advertising in a fixed location to following the consumers whenever they move. This significant change of reaching the consumers has had a profound impact in how advertisers reach their consumers and the media they use. While online advertising has the advantage over mobile advertising reaching their consumers with as much detailed product information and multi-media content as consumers are ready to consume, mobile Internet must satisfy the consumers' needs with concise and relevant information in seconds. Mobile Advertising is also restricted by the bandwidth of the mobile devices over the air; hence the necessity of having the messages and media content transmitted in the most efficient manner. Today, the next-generation mobile marketing is gaining acceptance, particularly by the young consumers. The on-the-go lifestyles of today's consumers make them harder to reach. New advertising opportunities, such as Blue-tooth enabled advertising is evolving rapidly to tailor messages with rich content for the mobile consumers who are literally on the fly. Bluetooth is a short-range wireless communication technology that operates in the 2.4GHz license exempt band (OFCOM, 2006). The personal Bluetooth-enabled mobile device has a range of approximately 10m for exchanging and receiving messages and content information. Higher power Bluetooth transmitters used for marketing purpose have a wider range of 100m. Bluetooth technology can now be used in location based advertising. A consumer walking close to a cosmetic retailer could receive a short message with a discount coupon for the promotion campaign for his/her favourite brands or, while shopping at a department store, a consumer could be alerted of the upcoming demonstration of a new 3D Television on the 7th floor of the store with a video to entice the consumers. All these marketing campaign are permission-based and

consumers can opt to receive as many or as few as they wish, and of course, they can opt not to receive any of the messages.

In a recent study on young consumers' acceptance of Bluetooth enabled mobile advertising, Leek & Christodoulides (2009) found that:

"In the sample of 210 respondents between the ages of 18-29 years old, the largest group of mobile phone users and the age group most likely to use new technology Sultan & Rohm (2005) as cited Leek & Christodoulides (2009) the majority of the respondents, 58%, liked receiving advertisements on their mobile phones and viewed mobile advertisements as common. 82% felt there was a risk of personal information being used by unauthorized parties. 54% agreed that they take into consideration the brand and reputation of a mobile advertiser. 60% stated that sales promotions encourage them to opt in to Bluetooth-enabled advertising. Despite concerns, more than 81% of the respondents agreed that Bluetooth personalized messages are both fun and useful" (Leek & Christodoulides, 2009: 48).

The ways to gauge the value of broadcast and transactional networks are fairly well established according to Reed (2001). As the number of users on a broadcast network rises, its value increases in a linear fashion. This relationship is captured by Metcalfe's law which states that the value of a one-to-one network grows in proportional to the square of the number of users. A Bluetooth enabled mobile network could provide the

next test bed for the validity of Metcalfe's Law.

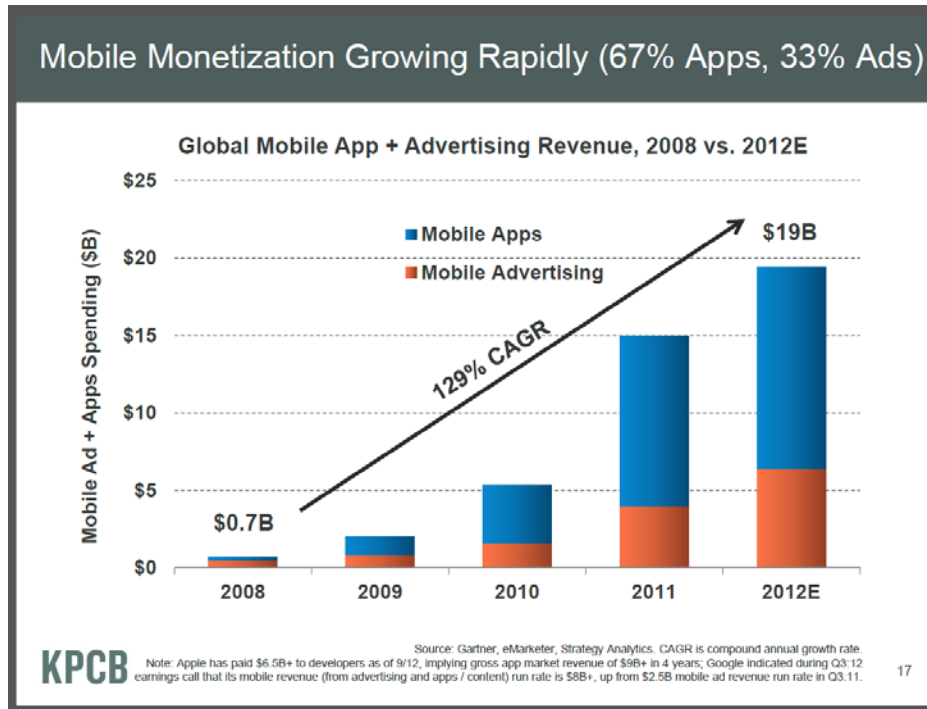


Figure 16: The Breakdown of Global Mobile Traffic 2008-2012E (Sources: KPCB, Gartner, eMarketer, Strategy Analytics)

KPCB asserts Mobile Monetization is growing rapidly as shown in Figure 166. In their estimate for 2012, of the US\$19B dollars spend on global mobile application development and mobile advertising, 33% is spent on mobile advertising. The total mobile application and advertising spend is growing at a CGR of 129% over five years (2008-2012E). With the increase of mobile advertising spend, more and more mobile applications will be developed. If the consumers find value in these mobile applications and advertisements, the use of mobile devices by consumers will subsequently increase.

These network effects of mobile Internet could have significant value to businesses and consumers in the years to come.

How does the Internet and particularly, the mobile Internet, change the vision and value of market research? Rubinson (2009) observed the profound changes between 2003 and 2009. In 2003, the Advertising Research Foundation (ARF) and ESOMAR, an organisation with 4,900 members in over 130 countries to encourage, advance and elevate market research worldwide, drove a global summit initiative to redefine the vision and value strategy for market research. In five years, these efforts resulted in a remarkable difference (Table 2):

2003 Key Words	2008/2009 Key Words
<ul style="list-style-type: none"> ▪ R4 (i.e. Right Information, Right Place, Right Time, Right Form) ▪ Accountability ▪ Relevant ▪ Differentiated ▪ Science ▪ Measurement ▪ Models ▪ Knowledge ▪ Calibrated ▪ Valid 	<ul style="list-style-type: none"> ▪ Strategy (i.e. Where to play, where to win) ▪ Human ▪ Synthesis ▪ Science ▪ Sharing via social media ▪ Learning ▪ Listening ▪ Story Teller ▪ Categorisation (i.e. how humans learn about new things) ▪ Risk taker

Table 2: Vision and Value Strategy Key Words 2003 and 2008/2009 Adapted from (Rubinson, 2009: 7)

“The human is now in control in an ‘always on’ world of long tails of media and purchase choices, and where social media lead[sic] to information and opinions spreading like wildfire. Marketers now have a partner in managing their brand in a world where push marketing turns into pull in the blink of an eyes, for example, where TV advertising leads to search as people often are media multitasking. In this world, marketing teams are seeking new ways of connecting their brands to people. These initiatives will require new mental models that will lead to new tools and metrics, but first we must relearn the consumer” (Rubinson, 2009: 7-8).

This change of consumer behaviour is profound. As advertisers, not only do they have to tailor and personalise their advertisements to individual consumers’ needs, the advertisements must also follow the consumers, whenever and wherever they move. . This is easier said than done. First of all, to follow consumers, the advertisers must first obtain the trust of the consumers. In this regard, there is a need to make sure consumers’ personal information is secure and that privacy of the consumers is respected. Secondly, advertisers will need to learn about their consumers, their preferences and purchasing habits; their reasons for making purchases and they will need to make sure that consumers are not flooded with unnecessary advertising or better still, ensure the advertisements they send are relevant and timely. Thirdly, in today’s environment, the latest information on products and consumer feedback is made available in seconds to anyone who has access to mass media channels such as television and the Internet, but product manufacturers and advertisers will have to be organized to listen to the voice of their customers both constantly and in real time. In addition to the traditional channels and media, advertisers will have to monitor conversations through social media channels such as Facebook, Twitter, WhatsApp, WeChat (Chinese mobile-phone chat and SMS) and Weibo (Chinese Microblogging website; hybrid of Twitter and Facebook). To be effective, Marketing and Customer Support functions will have to be reorganised to address these needs effectively.

To be successful in the market, product manufacturers and advertisers must understand the changes in consumer buying preferences and behaviours and adapt their strategy to address the changes in market requirements effectively and efficiently. One key success factor in the mobile Internet marketing is for companies to have mobile web pages for their product information; this will be discussed in more detail later in this chapter.

4.1.8 THE FUTURE OF MULTIPLE VERTICAL WEB SITES

The future of Multiple Vertical Web Sites is highly dependent on the value they create for consumers, businesses and advertisers. If the business models do not drastically change, i.e., the majority of their revenue comes from the advertisers, the perceived value of Multiple Vertical Web Sites would be dependent on the timeliness and accuracy of product information delivered and the ability of the Multiple Vertical Web Sites to engage the consumers in utilizing the Internet technology effectively. Sergey Brin, a cofounder of Google said, “As we go forward, I hope we’re going to continue to use technology to make really big differences in how people live and work” (Jennings, 2004: p. 6191/8411). However, the consumer market is an ever-shifting target. The adage “value is in the eyes of the beholders” can never be more true than it is today. Fashion may be equally applicable in the West as in China but in a rather strange context, well-off consumers in China may want not only fashionable products but also expensive ones. Technology changes even more drastically. Facebook has become a target marketing channel for advertisers with one billion plus users worldwide today. Rarely does a business have a market to itself for any extended period of time (Jansen, 2011: p. 6192/8411); this axiom applies equally to technology and its monopoly, consumers’ trends and Multiple Vertical

Web Sites. It is safe to say that technology, consumers and the context are in near-continual flux; it is the same with the sponsored search, perhaps more so given the rapid pace of change on the Internet. Jansen (2011) believes the sponsored-search model, in pretty much its current form, will be the default keyword advertising model for the foreseeable future. Its core structure appears to be stable in the near term. This stability is partially due to the type of returns the sponsored search is able to provide on the web and Internet. Moreover, the ability of the sponsored search to be effectively integrated with contextual and social advertising enhances its potential for longevity. In short, the long-term potential for the future success of the sponsored search depends largely on is continually adding value, both actual and perceived, to its stakeholders. As long as it does this better than the alternatives, its future is generally secured (Jansen, 2011: p. 6210/8411).

The sustainability of a public business would depend on whether it could continue to be viewed as making a positive difference in the eyes of its customers and stakeholders. Value to the customers and stakeholders are thus two concepts we would need to understand in the evaluation of whether or not a positive difference is being made. Thus, creating customer and shareholder values would be the strategy of PCO in the understanding of its sustainability using the MVWS business model.

It is important for consumers to continue accessing the Multiple Vertical Web Sites even after they have received the information they needed. In other words, repeated users of the vertical web sites are important to the long term vitality of the business. Lopes and Galletta (2002: 5) suggest that consumers will access subscription-based online information goods based on three main set of attributes carried by the information goods

and the reputation of the information goods and/or its provider. Lopes and Galletta's findings could equally be applicable to non-subscription based online information providers such as Multiple Vertical Web Sites. Rather than the consumers paying for the service rendered by the Multiple Vertical Web Sites, product manufacturers and advertisers are paying instead. Essentially, the perceived value of Multiple Vertical Web Sites depends on consumers' perspective and priorities. Marketing literature has shown that knowledgeable and novice consumers tend to evaluate product-related information differently (Lopes & Galletta, 2002: 5). Knowledgeable users tend to put more weight on the functional characteristics of products while novice users may be more influenced by cues such as the reputation of the information providers. The benefits received by the consumers from the information provided by the Multiple Vertical Web Sites would depend on their intent whether the information is used to aid their decision making or for their learning. Furthermore, among all the attributes in the information, consumers weigh high on objectiveness in the expert advices, comprehensiveness, timeliness and accuracy of information. Thus, perceived quality attributes of the Multiple Vertical Web Sites are important to attract and retain users. Other signals consumers regard as crucial in the access of the Multiple Vertical Web Sites are the reputations of the providers: trust, consumers' confidence and satisfaction, users' experiences including those posted on social media web sites which contribute significantly in the establishment of providers' reputations.

Advertisers and retailers as stakeholders of the Multiple Vertical Web Sites are part of the value chain. Both are willing to pay for the services provided by the Multiple Vertical Web Sites in providing the information to the user about their products and

services, directing the traffic to their websites as prospects or purchasers, or for further information.

Today, even though the Chinese share many of the same interests as the Westerners, for example, style of living, technology and education, there are also substantial differences in social norms and culture, motivation and value. Zong Qinghou, founder and Chairman of Hangzhou Wahaha Group Co. Ltd., one of China's biggest beverage makers with 2010 revenue of US\$10.7 billion and 30,000 employees nationwide, recognized the cultural and people differences in China when he said in an interview with Chinese Management Insight, a leading management journal in China, that

“Many Chinese enterprises borrow management practices from foreign companies, but these practices do not always work because China has different conditions, a unique culture, and is at a distinctive development stage that differs from much of the world. Chinese managers should explore management methods that fit China's unique conditions, culture, and development. Chinese companies need strong, open-minded leaders who put people foremost. Leaders who lack authority will find it difficult to manage Chinese companies; in other words, Chinese companies need strong and open-minded leaders who are kind and tolerant of their employees” (Tsui & Xin, 2012: 3).

Today, with Internet businesses moving at high speed, Internet media companies are facing unprecedented challenges. A confirmation of this was made clear when s Barthelemy et al., (2011: 31) quoted Folwell of the Guardian Media Group: “The primary challenge for an organisation like ours is not so much that you don't have enough money, because we do, it's not that you've not got great people, because we do, it's not that we

haven't got a brilliant brand. It's that actually moving from A to B, when you don't know where B is, is tricky, and moving with conviction is difficult" (Barthelemy et al., 2011: 31).

While Folwell is talking from a print media company to a hybrid print and online media company perspective, a vertical website has problems similar to those which Folwell is describing. As the online information content delivery businesses are maturing, vertical website businesses are facing increasing competition from the traditional media companies who are building their businesses online as well. Consequently, staff with specialisation in the segments, the sharing of knowledge, effective use of company resources, adoption of the rapid changing technology, the organisation design and understanding of country and local culture that the business is operating under are all critical success factors in the sustainability of PCO in China.

When I reflect on the development of PCO over the past thirteen years, the importance of attracting and retaining talented resources in the multiple vertical web site business is clear. Particularly, when self-interest takes centre stage, it becomes increasingly difficult to motivate employees to cooperate and collaborate with other verticals because of their thinking that if they do well in their unit for themselves, they will get the rewards and promotion. Over the past three years while the PCO business has been growing rapidly, managers have tended to compete for advancement and promotion in PCO without wanting to help their colleagues to do the same. Through my research in the topics of cooperation, collaboration and competition, I intend to study these topics in greater depth so I can understand how best to help PCO in meeting future challenges in

the business. Without cooperation and collaboration among the six vertical web sites, MVWS as a business model will not be able to function effectively.

4.2 **Rationalisation of Western and Chinese Management in Organisational Learning**

The ability of organisations to develop new products and services effectively and efficiently plays an important role in today's internet businesses. Western companies have long recognised the need to have knowledge management within the companies to enable the effective and efficient transfer of knowledge internally and with partners. Chen (2005: 480) recognises the need to adapt and integrate the western management theories and practices with the Chinese management system taking into account the Chinese culture and practices. His proposed definition for organisational learning describes it as a process for enriching an organisation continuously to change itself by utilizing and enriching organisational knowledge resources in an effort to adapt to both external and internal environmental changes in order to maintain sustainable competitive advantages (Chen, 2005: 480).

Chen recognises that the purpose of organisational learning is for an organisation to adapt to changes, both internally and externally, and to exploit the knowledge acquired in the organisation. He outlines organisational learning for the Chinese environment consisting of nine subsystems, namely, discovering, innovating, selecting, executing, transferring, reflecting, acquiring knowledge from the environment, contributing knowledge to the environment and building organisational memory.

While Chen's proposed model provides a framework for the organisational learning process, there are issues and inhibitors in the Chinese business environment that must be addressed in order for the organisational learning to be successful in Chinese companies. First of all, teams and individuals must be willing to cooperate. Secondly, when there are issues arising as a result in the execution of the subsystems or processes

Chen proposed, conflict management will become an important tool and process to be reckoned with. Tjosvold, Hui & Yu (2003: 141) state that conflict management is an important foundation for the confidence in relationships among teams in China. Relationship is fundamental in fostering cooperation among teams in the Chinese companies (Wong & Tjosvold, 2010: 782, Ramasamy, Goh & Yeung, 2006: 133). Researchers in China have also discovered that conflict management contributes to team effectiveness. Developing fairness in the reward system is also a key factor in fostering cooperation, hence the promotion of knowledge transfer (Chen & Tjosvold, 2002: 557). Both Chen and Tjosvold are supporters of the Social Interdependence Theory on Cooperation and Competition originated by (Deutsch, 2012) which will be discussed in more detail in the following paragraph.

4.3 **The Origin of the Social Interdependence Theory**

Recognising there are many factors which contribute to the behaviour of the employees of PCO, I have reviewed the social interdependence theory which has been used by many academics and researchers in their social science research. For example, the social interdependence theory has been used in the research on cooperative learning.

“In the late 1800s, Triplett (1898) conducted a study on the factors associated with competitive performance. More than 1,200 research studies have been conducted in the past eleven decades on cooperative, competitive and individualistic efforts. Findings from these studies have been validated, modified, refined and extended the theory” (Johnson & Johnson, 2009: 365).

The origin of the interdependence theory has some controversy. Van Lange & Rusbutl (2012: 251) stated that the interdependence theory was originally

developed by John Thibaut and Harold Kelly in 1959. Johnson & Johnson (2009: 366) traced the historical roots of the interdependence theory to the school of gestalt psychology at the University of Berlin in the early 1900s. Building on the principles of gestalt psychology, Kurt Lewin proposed that groups were dynamic wholes in which interdependence among members could vary (Johnson & Johnson, 2009: 366). Deutsch (1949, 1962) as cited in (Johnson & Johnson, 2009: 366) extended Lewin's notions by conceptualising positive and negative social interdependence. Positive interdependence exists when individuals believe that by working with others in the team, they will be more able to achieve their individual goals than if working alone. . Negative interdependence exists when individuals believe that they can only achieve their goals at the expense of others in the team (Johnson & Johnson, 2009: 366). Essentially, Deutsch's interdependence theory on cooperation and competition today is still based on the influence of Kurt Lewin, his mentor at MIT, and the interdependence theory (Deutsch, 2012: p. 275-276). Tjosvold (Johnson & Johnson, 2005: 286) has also made an influence on the interdependence theory, both in research and practice in a business setting.

Reviewing the writings of Thibaut & Kelley (1959), reveals they do not mention gestalt psychology as the origin of some of the concepts and ideas but they do give credit to Deutsch (Thibaut & Kelley 1959: M, 25, 108, 163-164, 166, 229, 258-259) and Lewin (Thibaut & Kelley 1959: K, 1, 71, 80, 96, 97, 129-130, 173, 179, 181, 183, 253, 287). As the development of the interdependence theory was in the early phase in 1959, it is very difficult to claim the originality of all the ideas making up the theory. Judging from the references to Deutsch and Lewin's

work in Thibaut & Kelley's book (Thibaut & Kelley, 1959), Thibaut and Kelley were greatly influenced by Lewin and Deutsch in their research and writing. As Deutsch was a PhD student at MIT and Lewin was his mentor, Deutsch's career in social psychology has been influenced greatly by Lewin (Deutsch, 2012: 277). It seems likely that Deutsch was influenced by Lewin to develop the social interdependence theory on cooperation and competition and derived his original idea from Lewin for which gestalt psychology also played a role in shaping his original idea.

4.4 **Social interdependence theory as the theoretical framework**

Van Lange & Rusbutl (2012: 251) state that one of the classic theories of social psychology, interdependency theory has addressed broad classic themes such as dependence and power, rules and norms, as well as coordination and cooperation.

"Interdependence theoretical concepts and principals have been used to analyse group dynamics, power and dependence, social comparison, conflict and cooperation, attribution and self-presentation, trust and distrust, emotions, love and commitment, coordination and communication, risk and self-regulation, performance and motivation, social development and neuro-scientific models of social interaction" (Van Lange & Rusbutl, 2012: 252).

David Johnson began his work on social interdependence theory and the use of cooperative, competitive and individualistic efforts in

the mid-1960s. In his research with his brother Roger Johnson, they wrote:

“Researchers have conducted over 750 research studies on the relative merits of cooperative, competitive, and individualistic efforts and conditions under which each is appropriate. Social interdependence theory has been widely applied, especially in education and business” (Johnson & Johnson, 2006: 285).

In this research project, the understanding of the factors relevant to the sustainability of PCO using the MVWS business model and their interrelations are essential. The factors as I have observed them over the years at PCO are cooperation, competition, cooperative goals and rewards. I want to find the explanation as to why my management team and employees at PCO behave in the way they do. Furthermore, using the interdependence theory on cooperation and competition as the theoretic framework and the findings from the research studies conducted by Tjosvold and fellow researchers (1980, 2003, 2005A, 2005B, 2006, 2010, 2012) in the past eleven years in China, I want to discuss the findings and conclusion for this research project and explore the solutions for PCO in the longer term.

4.5 **The Cooperation, Collaboration and Competition in Chinese Companies**

There is a clear distinction between cooperation and collaboration; cooperation is a term that assumes two or more parties, each with separate and autonomous programmes, agreeing to work together to make both programmes successful. Collaboration, on the other hand, is more than just cooperation, as it also implies the parties involved share responsibility and authority (Hord, 1986: 22). In the business environment at PCO, collaboration is more a joint project between verticals with responsibility and project ownership arranged ahead of time. On the other hand, cooperation at PCO involves both formal and informal arrangement where people help each other out within and outside the verticals.

Failure in working together among employees in different verticals can be very costly to the company. Caruso, Rogers & Bazerman (2009: 1) observed that boundaries and bad habits make organisation members unlikely to instinctively reach across divisional lines to appropriately integrate their knowledge and activities. They recognised three key barriers to effective collaborative information sharing across organisational boundaries: intergroup bias, group territoriality and poor negotiation (Caruso, Rogers & Bazerman, 2009: 3). Foster-Fishman et al. (2001: 876) went much further and cited the implementation of inter-organisational alliances in Creek County, Michigan, USA as a promising venue for facilitating inter-organisational collaboration. Creek County has established the Inter-organisational Coordinating Council (ICC) and interagency teams to oversee and develop service delivery to meet constituents' needs. The result was a success as Creek County had an improved service delivered at a lower cost than the approach used

before the establishment of the inter-organisational alliances. The key responsibilities and activities of the ICC are: a monthly agenda organised around an inter-organisational exchange; work sessions; promoting a culture for collaboration; shared funding pool; shared outcomes and promoting ICC member accountability (Foster-Fishman et al., 2001: 896) while the interagency teams are tasked with collaborating to fill the service gaps and facilitate the inter-organisational collaboration.

The two approaches offered by Caruso, Rogers & Baserman (2009) and Foster-Fishman et al. (2001) are workable as they attempt to remove the barriers to collaboration and strengthen the inter-organisational alliance between departments. The Caruso, Rogers & Baserman approach is actually similar to the Theory of Cooperation and Competition discussed in paragraph 3.2. For the formulation of the Inter-organisational alliances, although the study is with a public sector agency, Creek County, there could be application value for PCO. One reason inter-organisational alliance could be of benefit to PCO is that the formalisation of ICC and inter-departmental teams would make it clear to all business units that this is the new way of getting new products delivered to users and advertisers. Measurements for business units, ICC and inter-departmental teams would also need to be formulated and agreed upon. The objective is to deliver services and products to users and advertisers more cost effectively. As long as we can compensate all parties fairly, this could be an option worth considering.

4.6 **The Theory of Cooperation and Competition**

The theory of cooperation and competition was presented initially by Morton Deutsch and further elaborated upon by David W. Johnson (Deutsch, 2006: 23). In the social interdependence research, Johnson also quoted Deutsch extensively in his study of the social interdependence theory (Johnson, 2003: 934-935). The two academics argue that in accordance with the theory of social interdependence, how goals are structured determines how individuals interact (Deutsch, 2006, Johnson, 2003). Deutsch advocates two types of goal interdependency: positive and negative. Positive goals are linked such that the probability of goal attainment for one is positively linked to the probability of goal attainment for the other (Deutsch, 2006:24).

“The basic premise of social interdependence theory is that the ways participants’ goals are structured determine how they interact, and the interaction pattern determines the outcomes of the situations. Thus cooperation tends to induce and be induced by mutual assistance, exchange of needed resources, and trust. Competition tends to induce and be induced by obstruction of each other’s success, tactics of coercion and threat, enhancement of power differences, deceptive communication, and striving to win conflicts” (Johnson, 2003: 936).

Another interdependence model highlights the effect of reward and punishment as tools to promote cooperation in social situations when immediate self-interest and longer term collective interest are in conflict (Balliet, Mulder & Van Lange, 2011:594). The result of the meta analysis of 187 effects conducted by Balliet, Mulder & Van Lange (2011: 610) supports that incentives promote cooperation in social situations. Moreover, the results also show that incentives are more effective when they are costly. In other words, when others are expending increased cost to provide rewards for cooperation and deliver punishment for non-cooperation, people would be more likely to believe that those bearing the increased cost are seeking to promote cooperation, rather than their self-

interest (Balliet, Mulder & Van Lange, 2011: 596). A similar perspective is shown by Rand et al. (2009: 1272) that reward is as effective as punishment for maintaining public cooperation. The results of a research study conducted by Rand et al. (2009: 1272) show that when both cooperation and punishment are available as options, rewards lead to more contributions and payoffs, whereas punishment leads to no contribution and lower payoffs. A critical choice in the use of reward and punishment to foster cooperation has to be made. The key consideration is whether people are motivated by the benefits of rewards or by the fear of being punished. In most cases, punishment of non-cooperation and non-performance in organisations is implied in the employment contract; hence, this research project mainly focuses on rewards as the key element for promoting cooperation. Thus, the theory of cooperation and competition is the theoretical framework I used in the analysis. Another reason I used this theory is because it has been validated in companies both in western countries and in China (Tjosvold et al., 2002, 2003, 2005, 2005, 2010).

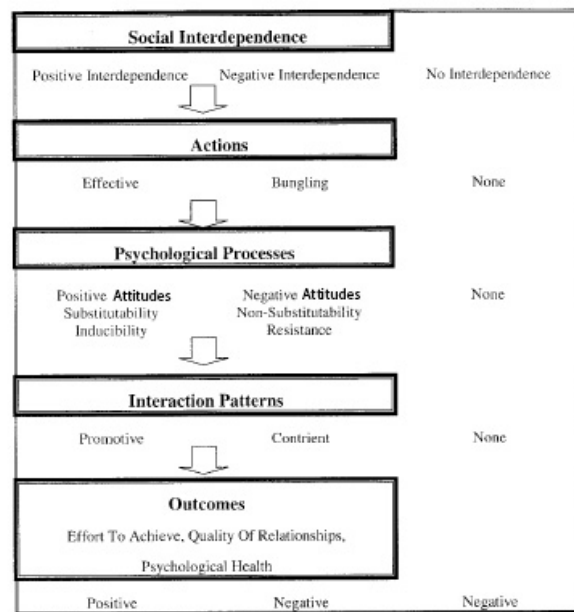


Figure 17: Overview of Social Interdependence Theory (Johnson, 2003: 935) (Modified)

Deutsch identified two basic goal interdependences: positive and negative (Figure 17). When a person's goal attainment is linked positively to another person's goal attainment, i.e. if this person attains his/her goal and it has a direct correlation with another person's attaining part or all of his/her goal, then the goal is positively interdependent. On the other hand, when a person's goal attainment is linked negatively to another person's goal attainment, i.e. if this person attains his/her goal and it has a direct correlation with another person not attaining part or all of his/her goal, then the goal is negatively interdependent. Usually, situations are somewhere in between as the participants involved generally have goals which are neither all positively interdependent nor all negatively interdependent. In other words, there are elements of both positive and negative interdependence in the goals, or a goal may start off with being all positively dependent but later become a hybrid situation as far as goal interdependence is concerned. For the purpose of discussing the theory of cooperation and competition, let's take the goals in their pure forms: positively interdependent or negative interdependent.

The theory also involves two basic forms of action (Figure 14) taken by those involved. Effective actions improve a participant's chances of attaining a goal while bungling actions worsen their chances of attaining the goal (Deutsch 2006: 24). Deutsch (2006: 24) then combines the two types of interdependence and two types of actions to posit how they jointly affect three basic forms of social psychological processes resulting from interdependence: Substitutability, attitudes (cathexis) and inducibility (Figure 14). Substitutability is the degree to which the actions of one person substitute for the actions of another person (Johnson, 2003: 935). Substitutability is defined as how a person's action can satisfy another person's intention. It is central to the function of all social institutions (Deutsch et al., 2006: 24) such as family, industry and school, from the

division of labour to role specialization. Non-substitutability involves active rejection and effort to counteract the effects of another person's activities. Cathexis refers to the investment of psychological energy in objects outside of oneself such as friends, family and work (Johnson, 2003: 935). Deutsch (Deutsch, 2006: 25) used 'attitudes' which refers to the predispositions to respond evaluatively, favourably or unfavourably to aspects of one's environment or self. In effect, 'attitudes' is a more suitable term for my analysis in the later chapter; hence, I will replace cathexis with attitudes throughout this thesis. Inducibility refers to the readiness and openness to accept another's influence to do what he/she wants and negative inducibility refers to the readiness to reject, resist or obstruct fulfilment of what the other wants (Deutsch, 2006: 25).

Deutsch (Johnson & Johnson, 2005: 319) posited that interdependence results in specific interaction patterns among participants (Figure 12). Positive interdependence results in promotive interaction and negative interdependence results in oppositional or contrient interaction; hence, the way individuals interact with one another depends on how interdependence is structured in the situation. In a contrient interaction, individuals discourage and obstruct each other's efforts to complete tasks in order to reach their goals (Johnson, 2003: 935).

The many diverse dependent variables examined in the 180 social interdependence studies carried out since 1940 may be subsumed within three broad categories of outcomes (Johnson & Johnson, 2005: 303): (a) effort to achieve, (b) positive interpersonal relationships, and (c) psychological health (Figure 12). In a meta-analysis of all 180 studies, Johnson & Johnson (2005: 304) found that the average person cooperating performed (effort to achieve) better than an average person performing within a competitive or individualistic situation. Cooperative efforts, compared with competitive and individualistic experiences, promote considerably more quality of relationships

among individuals (Johnson & Johnson, 2005: 308). In the outcome category, one key result is that working cooperatively with peers and valuing cooperation results in greater psychological health than does competing with peers or working independently (Johnson & Johnson, 2005: 311).

4.7 **Management of Cooperation and Competition in Chinese Companies**

China has provided Tjosvold, Leung & Johnson (2006) a test bed for the Deutsch's theory of cooperation and competition:

"Deutsch's original theory aims to explain the development of relationships and values; actors were thought to have motives and goals. China provides an opportunity to understand how values and other preconditions impact the cooperative and competitive management of conflict" (Tjosvold, Leung & Johnson, 2006: 671).

I will examine five studies conducted in the past eleven years in China to establish the validity of Deutsch's theory of cooperation and competition in China.

⁸First, in a study to investigate how conflict management can contribute to team effectiveness by developing fairness (Chen & Tjosvold, 2002: 557-572), 126 MBA students at a University in Beijing were chosen as participants. Each participant had typically five years' working experience in a diverse industry background. Chen & Tjosvold found that cooperative conflict developed a sense of fairness in teams that

⁸ Research Study #1

helped them be productive.⁹Second, in a study to examine the effect of managing conflict cooperatively and team task reflexivity, 200 employees in 100 work teams were chosen as participants in China. Tjosvold et al. (2003: 141) found that cooperative approaches to conflict and task reflexivity are complementary foundations for effective teamwork. Teams that rated themselves as high on cooperative conflict and reflexivity were also rated by their managers as productive and good organisational citizens (Tjosvold, Leung & Johnson, 2006: 675).

¹⁰Third, in a study to develop direct evidence to which relationships contribute to team effectiveness as measured by both group members and their managers, 117 firms were chosen in China representing the State-Owned Enterprises (SOE), joint ventures and private enterprises with top and middle management participating in the study (Tjosvold, Poon & Yu, 2005: 341-367). Tjosvold, Hui & Yu (2003: 141) found that work teams in China that managed their conflicts cooperatively strengthened their confidence in their relationships and these relationships in turn predicated to team effectiveness.

¹¹Fourth, in a study to examine how top management teams manage conflict and the effect on their effective leadership of organisational innovation, a total of 378 executives from 105 high tech firms around Beijing in China were chosen to participate. Separately, 105 CEOs from these firms indicated their team's effectiveness and their organisational innovativeness (Chen et al., 2005: 277-300). The result of the study

⁹ Research Study #2

¹⁰ Research Study #3

¹¹ Research Study #4

supports the value of conflict management for the top management teams and their ability to lead their organisations to innovate. Top management teams were able to use conflict productively when they relied upon cooperative, but not competitive or avoiding, approaches to manage the conflicts (Chen, Lui & Tjosvold, 2005: 291). ¹²Fifth, in a study (Chen & Tjosvold, 2012: 433-452) to examine the effects of shared rewards and cooperative, but not competitive and independent goals in helping business unit members feel safe and supported; a total of 125 CEOs and 436 executives from 125 firms in China participated in this study. The results revealed shared rewards and cooperative goals are important foundations for organisational psychological safety in China (Chen & Tjosvold, 2012: 433).

The results of these five studies seem to confirm the applicability and validity of Deutsch's theory in China; thus, I used the results of these findings to support the theoretical framework on the interdependency theory on cooperation and competition in this research study.

¹² Research Study #5

Chapter 5 RESEARCH METHODOLOGY

Over the thirteen years since I established PCO using the MVWS business model, I have seen changes in how the organisation has evolved, particularly in the behaviour of management and employees in terms of the ways in which they interact with each other and their management. One of the important questions I have is whether the MVWS business model will be sustainable over the next decade, and if so, what are the critical success factors I should focus on. As I observe the situations requiring my attention and intervention, most of them are related to issues related to the motivation of the management and employees, conflicts within the business units and with other business units, the lack of cooperation among the business units, competition with other employees in the company, people related issues, motivation in the company, reward schemes, perceived fairness in different business units and other organisational issues, including goal setting. The data sources for this research project mainly come from my observation over the past thirteen years. Though I have not kept a diary, many of the issues I describe in this thesis are from my memory and my conversations with other colleagues and friends. As I want to break free from everyday thinking to consider issues beyond my normal frame of reference, I want to use the interdependence theory to guide my thinking (May, 1993: 28). As I explore my options in choosing the research methods, quantitative vs. qualitative, it is clear to me that my observation on the issues I want to study falls into three broad areas: cultural, organisational and human behaviour. I primarily use a qualitative approach in the gathering and analysis of the data for this research project.

Additionally, I reference in my study findings from other research studies for which the quantitative research methods are used.

In this chapter, I present the rationale in choosing the autoethnography research method for this project over the more traditional research and data collection methods. The value to the readers, academics and business community, and the validation criteria of the autoethnographic method is also discussed.

5.1 **The Topic of Research for this Project**

Traditionally, business research is often thought of as collecting data from various statistical publications, constructing questionnaires and analysing data by using computers (Ghauri & Gronhaug, 2010: 29). The research method of data collection is sufficient when data is readily available both internally in the companies under study, and externally from market research, academic and business publications. In the topics related to the sustainability of PCO, most of the problems and issues I have encountered span over my tenure of thirteen years at PCO. During this period in China, the workforce environment has undergone tremendous changes. During these past two decades, as China has been undergoing the social and economic changes, so has there been a rapid change in the Internet industry. I have observed and experienced these changes both in PCO and in the industry. In fact, many of the management decisions I have made in order to keep PCO in the forefront of the internal industry in China have been very much in response to the changes taking place in China as well. I have chosen the sustainability of PCO using the MVWS business model as the topic of the research project.

5.2 **Why have I chosen the Autoethnography as the Research Method**

As I reflect on the challenges and issues of PCO over the years, much of what I have encountered has not been documented. Instead, my observations were captured during meetings with my management and employees and through conversations that have taken place in business and social gatherings. It is because some of the information gathered at these events was so important to the management of the business of PCO, that I have vivid memories of their content. When I was introduced to the idea of autoethnography as a possible research method for this project, I studied as much academic literatures on the subject as possible. The autoethnography research method is an approach to research and writing that seeks to describe and systematically analyse (graphy) personal experience (auto) in order to understand cultural experience (ethno) as cited in Ellis (2004). Simply put, the autoethnography method can be defined as an approach to research and writing that seeks to describe and systematically analyse personal experience in order to understand cultural experience (Ellis, Adams & Bochner, 2011:1). As I delved deeper into the merits and problems of using autoethnography as a research method for the project, I began to relate resonantly to Parry & Boyle's assertions (2009: 690) that autoethnography offers a great potential contribution to organisational research. Parry and Boyle (2009: 690) identify three key elements of the autoethnographic method that allow for a more insightful and culturally richer understanding of organisational life:

"First, autoethnography has the ability to connect the macro and every day and mundane aspects of organisational life with broader political and strategic organisational agendas and practices. Second, the autobiographical and retrospective approaches are more likely to

uncover and illuminate the tacit and subaltern aspects of organisation. Third, there is no perfect methodology, and autoethnography does have its problems” (Parry & Boyle, 2009: 695).

I can identify all three elements that Parry and Boyle discuss as the values and shortcomings of autoethnography in my research project. First, I am involved with the strategic and operational activities of PCO on a daily basis. As such, I observe first-hand many of the organisational issues and reactions from the various personnel involved in the processes. My position as Chairman and CEO of PCO provides a unique vantage point in understanding the cultural and human aspect of the organisation as they have been observed over a number of years both socially and in different business settings. Second, in carrying out this research project, I have had the opportunity to search from my memory relevant activities with my management team, records of decisions made and actual outcomes. Collectively, the retrospective and reflective approach permits me to understand the possible causes and patterns for the analysis of my management behaviour and organisational issues. Third, the risks of using autoethnography as a research method identified by Parry and Boyle (2009: 695) consist of (1) the identity of the participants is not concealed, (2) my voice may overshadow the voices of the participants, (3) the vulnerability in exposing myself carries both personal and professional risks. Parry and Boyle (2009: 695) then argue the need to move beyond triangulation as the only way of determining validity in qualitative research. I recognized the issues raised and do not expose the identity of the participants in the thesis. Furthermore, stories and examples used in the study will only be used as illustrations and any sensitive information will be sanitized when necessary to minimise the potential risks to the PCO, the parties involved and myself.

Anderson (2006: 378) proposes five key features of analytic autoethnography and James (2012: 563) has applied the five elements to validate her autoethnographic approach in a social study. These five key features are necessary conditions to confirm autoethnography as a research method. They are listed as follows:

(1) Complete member researcher (CMR) status, (2) analytic reflexivity, (3) narrative visibility of the researcher's self, (4) dialogue with informants beyond the self, (5) commitment to theoretical analysis (Anderson, 2006: 378).

The research project satisfies all five elements that Anderson (2006: 378) proposes. Additionally, in my case when the participants are observed over an extended period of time and in multiple social and work settings, a 'sixth' element, the time factor, can be considered to give greater validity to the study.

5.3 **The Case Study Research Method**

When I started investigating the various research methods for the project, I thought that a single case study would be appropriate to address the three research questions of the project. The suitability of the case study approach as a research method for this study is similar to Yin's argument (Yin, 2009: p. 342/4090) that case study is used in many situations to contribute to our knowledge of individual, group, organisational, social, political, and related phenomena. In brief, the case study method allows us to retain the holistic and meaningful characteristics of real-life situation — such as small group behaviour, organisational and managerial processes, technology changes, employees' performance, business and market environments, and the examination of the Multiple

Vertical Web Site business model. In essence, the central tendency of all case studies is to try to illuminate a decision or set of decisions: why they were taken, how they were implemented, and with what result (Schramm, 1971: 6). Yin also cites cases of “decisions” as the major focus of case studies (Yin, 2009: Kindle loc. 608).

Yin (2009: p. 1278/4090) points out that the single-case design is eminently justifiable under certain conditions— where the case represents (a) a critical test of existing theory, (b) a rare or unique circumstance, or (c) a representative or typical case, or where the case serves a (d) revelatory or (e) longitudinal purpose.

This research project satisfies the conditions (a), (b), (c), (d) and (e) of Yin’s argument. I have been a participatory observer and manager building PCO from scratch to an established company in China, thus this research project satisfies all the conditions as follows: (a) I plan to explore theories related to the organisations and culture in China and the extent these theories are relevant to the research project. I will use different methods such as triangulation to test the findings with the theoretic framework when appropriate; (b) Many foreign companies have tried to build their businesses in China but have failed. One of the key reasons for their failure could be that they tried to understand the Chinese culture and environment, but used instead the western management techniques and methods to manage their businesses. I am a Chinese with a western education, and had been an investment banker with Morgan Stanley before I became a property developer in China with six IT malls in Guangzhou, Shanghai and Beijing. My experience in building businesses in China and the lessons I learnt through my failed attempt to start a commodity trading company gave me the insight to understand the issues and challenges facing PCO today; (c) The PCO case is rather unique in China as few vertical web sites

use the MVWS business model. For this reason I believe conducting research on the sustainability of PCO using the MVWS business model in China, existing theories can be validated and new knowledge derived from the research could benefit academics and the business community at large; (d) the findings and results of the research project would give readers a perspective on the organisational and cultural issues of an Internet company in China. Additionally, the research could serve as useful references for future research and solution development and (e) The research project will be based on my participatory observation at PCO over a span of thirteen years. Its purpose is to ensure that the data is of sufficient validity for the research study. In other words, the longitudinal purpose and uniqueness of the case study design supports Yin's view on the justification for the single case study. Specifically, critics may have their arguments justified in studies when the units of analysis are discrete in nature and when the observation period is for a relatively short period i.e., a few weeks or a few months. However, when the observation period is for multiple years in a fast changing environment, combining the autoethnography and a single case study is a more suitable research method. This mixed method approach offers a better understanding of the complex and multi-disciplinary topics under study.

5.4 **The Hybrid Approach of the Autoethnography and Case Study**

Even though this project uses autoethnography as a research method and much of the information resides within me, this research study focuses on an outside entity -- the sustainability of the PCO in China and the use of MVWS as its business model. In the initial research I went through many factors affecting the sustainability of the PCO in

China such as the financials, market, competition, people, organisation, culture, processes and technology. I ruled out the financials as a factor to study as the information is sensitive to the PCO as a listed company. Even though the remaining seven factors are interrelated, processes and technology are not the primary focus for the study simply because they represent the core competence of the PCO and the study of these topics does not seem to yield as much value to this social study as the other five factors, namely the market, competition, people, organisation and culture. I wanted to capture and reflect on the essence of these factors based on my observations and identify the opportunities, issues and evidences related to the research questions. In addition, I review the academic and scholarly literature on the subject and explore the existing theories related to the topics under study. This inward and outward journey perhaps could bring my own observations and interpretations into sharper focus and help me to understand the solutions and recommendations in investigating the sustainability of PCO using MVWS as a business model.

From an academic point of view, the use of autoethnography and case study as a mixed research method could be helpful in the organisational and cultural research in a business study. I use the autoethnography as a form of self-narrative that places the self within a social context (Reed-Danahay, 1997: 9) and through the interactions, observe the behaviours and motivation of the participants. In the research study, I also observe how and what these participants actually do as opposed to what they say they would do.

Critics often ask how one can generalise from a single case study with autoethnography as a source of research data. Yin's answer (2009: p. 569/4090) is when the goal is to expand and generalise theories (analytic generalisation) and not to

enumerate frequencies (statistical generalisation), case studies, like experiments, are generalizable to theoretical propositions and not to the populations or universe. Anderson (2006) also attested:

“The purpose of analytic ethnography is not simply to document personal experience, to provide an ‘insider perspective’, or to evoke emotional resonance with the reader. Rather, the defining characteristic of analytic social science is to use empirical data to gain insight into some broader set of social phenomena than those provided by the data themselves” (Anderson, 2006: 386-387).

5.5 **The Limitations on the Use of Autoethnography in Social Research**

One of the limitations often raised in connection with ethnographic work is that because only a single case is studied, the representativeness of the findings is always in doubt (Hammersley & Atkinson, 2007: p. 1010/9380). This is an important point but it is not always the case. Hammersley & Atkinson (2007: p. 1010/9380) argue that when the case has intrinsic interest so that generalisation is not the primary concern, then ethnographic work has academic value. Today, China as a country and its rapidly expanding economy has been under study by scholars and the business community, especially in the social science field of the Chinese in the 21st century. The best way to study is to become part of their lives in order to understand the changes (May, 1993: 163). No ethnographic work - not even autoethnography – is a warrant to generalise from an ‘N of one’. “We must not lose sight of the ethnographic imperative that we are seeking to understand and make sense of complex social worlds of which we are only part”, (Atkinson et al. (2003: 57) as cited in Anderson (2006: 386). With my active participation

in the day-to-day management and operation of the PCO for over a decade, I believe that by using an academic research discipline and research process, existing knowledge can be captured and extended for future research and potentially generalised or modelled for reference.

5.6 **The Mixed Research Methods and Process**

The schematic of the research processes and methods for this research project is shown in Figure 18. There are eight steps; 1 to 8 in my research process. The main data sources for the research projects are documentary research primarily through literature reviews, existing field studies in the application of the social interdependence theories on cooperation and competition and my autoethnography with participatory observations on the behaviour of my managers and employees in the research topics under study.

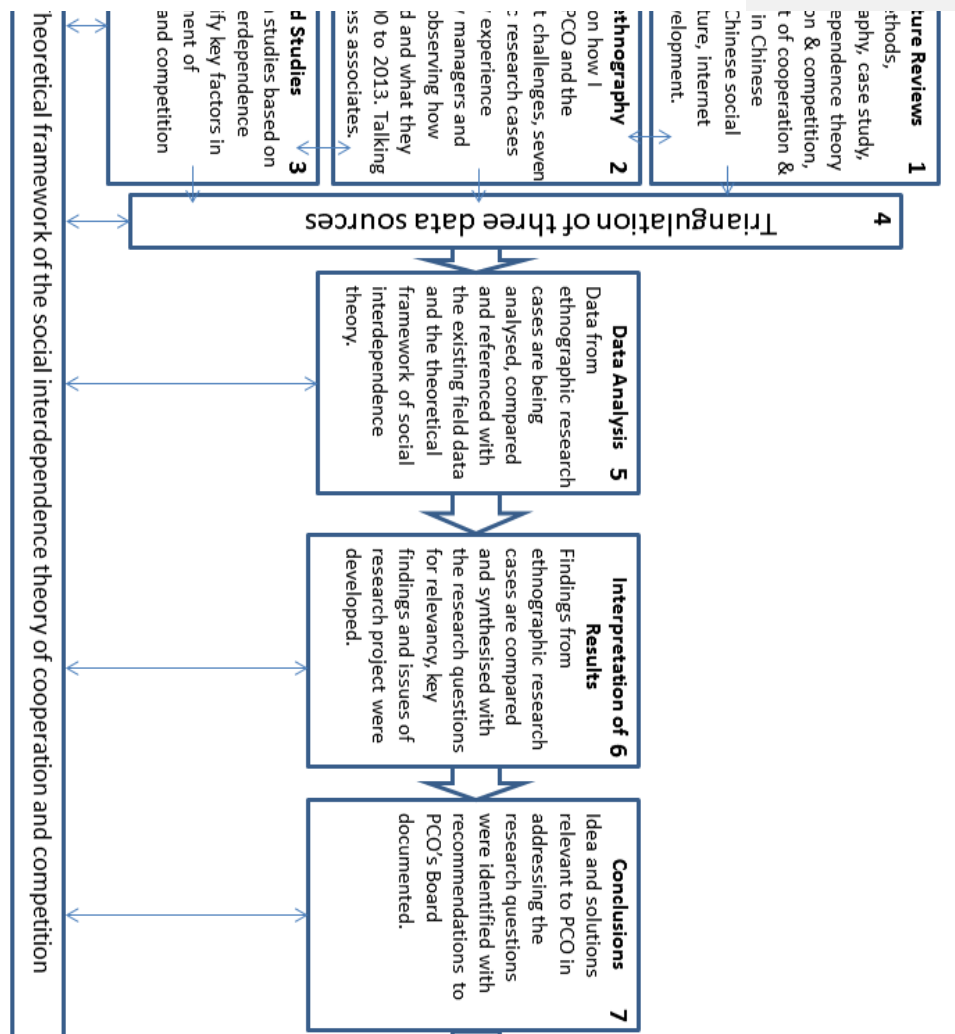
I primarily use storytelling and a co-constructed narratives approach (Anderson, 2006: 694) in documenting my observations in my autoethnography (step 2) on the cultural and organisational issues relevant to the study. In the management of the PCO business, I have had many formal and informal meetings in the past thirteen years with my management and employees. Many of these meetings have lasted for more than one hour. It is through these meetings that I have come to understand some of the issues, motivation and behaviour of those observed.

In order to protect the identity of the participants, all involved or mentioned in the study remain anonymous or disguised as many of the participants are still active

註解 [A1]: Charles here I would insert a new diagram and show what you actually did. The model you have now does don't state what you did, with whom and when. So I would delete this and put a new one in based upon it

employees at PCO today. Moreover, as PCO is a public company, market sensitive data such as business strategies and forward looking financial information are not be discussed in this research project. I only focus on the central issues related to the research questions in this research project.

May (1993: 162) recognises that participatory observations in the day-to-day activities of the subject under study may generate ideas (inductive), in contrast to testing ideas (deductive). Both inductive and deductive analysis techniques are used in the analysis of data. This research process is open to continuous re-evaluation and reassessment (May, 1993: 241). The theoretical framework for this study project is grounded with relevant academic articles and literature available in the research and business libraries, and on the Internet. As the availability of academic literature on some of the topics under study is limited, for example, the effect of China's One Child Policy (OCP), I use some academic journals and articles from China. Relevant sections of the articles referenced are translated for completeness.



I also use a variety of market data and reports such as Internet statistical reports in the Chinese government department; China Internet Network Information Centre, Kinsey's reports on the China consumer buying trends, marketing reports from research, which was founded in 2002, and is one of the leading market research firms in China focusing on in-depth research in China's Internet industry, including online media, e-commerce, online games, mobile Internet and wireless value-added services.

Additionally, I use other publicly available data such as investment reports, government statistics, online advertising spending data and customer satisfaction surveys to aid the research of this project.

There is much scholarly literature (Chen, 2005; Newell, 1999; Osland, 2007 and Braun & Warner, 2002) examining and assessing issues related to western management and leadership style, human resource management, organisations and culture, and business practices and their applicability to China. This research would fill the gap by observing from inside an Internet company in China. I have had sixteen years' of experience working in western companies, including thirteen of those years as an executive in investment banking in Hong Kong, Taiwan and the United States. I am both a learner and practitioner of the Western style of management. The experience I acquired during the years in western companies was helpful at PCO in the early stage. However, the rapid change in the Chinese economic and business conditions required a new approach to the management of business in China. It is in this context that I believe this research project is valuable to readers and business community. In employing the autoethnography as a research method, I can reflect on my observations in PCO over the years, capture new knowledge or expand on existing knowledge from the scholarly literature repository and business community. Furthermore, I am in a unique vantage point having overseen the development of PCO.

The process of this research project starts with the Literature Review (step 1) in order for me to understand the relevant topics related to the research project and the existing theories related to the research topics under study. There are a number of field studies (step 3) related to the application of the interdependence theory on cooperation

and competition, most recently, research studies have been conducted in enterprises and companies in China. I use the results and findings from these research studies as another source of research data. Through reflection and meetings with management and employees of PCO, I have been able to verify some of my past impressions with regard to the organisational and cultural issues (step 5) involved. Triangulation (step 4) is used in this project to capture the knowledge on the topics under study from many different points of view. Having collected the three sources of data, I then tested the validity of my experience using the theoretical framework of the interdependence theory on cooperation and competition in order to interpret the results of my findings (step 6) for this research project. After the establishment of the validity of the findings using the theoretical framework of the social interdependence theory on cooperation and competition, I was able to develop conclusions (step 7) for the research project and document my recommendations to the PCO's board in a report.

I understand the limitation of the approach taken as my view is still a one-man perspective of many complex and multi-disciplinary events. Parry and Boyle (2009: 695) also raised the question on how a personal account of organisational life could provide a better understanding of individual experience and the objective meta-aspects of organisation. All in all, their views can be summed up in their assertion:

“In an organisational ethnographic account, the lens moves from cultural and social situatedness to the inner self and then back again to the situated individual. Therefore, such ethnography does not end at the personal” (Parry & Boyle, 2009: 696).

Over the years, I have had opportunities to work closely with a number of Chinese business organisations and government ministries. I am the first one to admit that it is easy

to make mistakes not knowing the Chinese culture and business environment and to use what were proven successful strategies in the West and apply them relentlessly in China. This is one reason why many foreign companies fail miserably in China. One of my objectives in this business and academic research project is to explore the research methods and techniques used to deal with such diverse but important topics relevant to the sustainability of PCO as a provider of MVWS. If this thesis can extend the knowledge boundary and provoke more dialogue and research among the academics and business community to search for deeper knowledge, it could benefit the readers, business communities and academics at large.

Chapter 6 THE RESEARCH PROJECT

This is a narrative of my account of all that I have observed at PCO which is related to the topics of this research project. This chapter will be divided into three parts. The first part presents my background, the development of PCO and the benefits of the MVWS business model. The second part records the challenge in delivering more detailed information content to users and my observations as a participant of the cultural and organisational issues in the sharing and collaboration among the business units at PCO. These observations are documented in seven ethnographic research cases. The third part features the different types of Chinese social norms relevant to the topics of the research study; the gaps that exist between knowing and doing among employees and the ways in which the Theory of Cooperation and Competition could be applied to the understanding of the organisational and cultural issues at PCO.

6.1 Introduction

The choice of research topic emerged from my personal experience of managing PCO in China and my first-hand recognition of the challenges and difficulties many Internet media companies have encountered in China over the past thirteen years. This longitudinal study utilising autoethnography and case study methods could help researchers, media and business scholars, and the business community to understand the two key success factors in the management of PCO, an Internet media company. Information content and service are the products PCO offer and they are the reasons why millions of users want to access the Internet website every day. A key challenge for PCO is to understand how to deliver the right breadth and depth of information content for the

target audience. This PCO case study with my participatory observations over the thirteen years of overseeing the development of PCO provides the data and evidence needed for analysis for this research project.

In this research project, I essentially have one unit of analysis or case as Yin refers to them (Yin, 2009). For Research Questions 1, 2 and 3, the unit of analysis is “The PCO with the Multiple Vertical Web Site business model”.

I use the mixed method approach in collecting evidence from multiple sources, i.e. autoethnography, company records and literature reviews, and triangulate the data so that I have more critical and complete results of the findings for the study. These results and findings are also tested for construct and external validity (Yin, 2009: Kindle ver. loc. 2412). My goal is to make sure the results of this research study are reliable and could be generalized to similar businesses in China.

The three research questions under study are fundamental to the sustainability of PCO using the MVWS as a business model. Maintaining and expanding the viewership is fundamental to an Internet media company. PCO is a company that is engaged in both the production and distribution of information content. On the one hand, I need to develop the content that users want. Take automobiles, for example, when the users want to understand what car to buy, they come to PCauto to find the information about different cars in the price range in which they are looking. They can read through the test reports and other users’ comments in the discussion forum. When they are ready to test drive a car, they can locate the car dealerships in the area of their choice. Even better, they can get the latest promotion offers from various car dealers before making up their minds where

to test drive the vehicles. The question I have been constantly struggling with is: How do I maintain and expand the viewership base? Obviously, we have to give our users reasons to visit our web sites even though they have obtained the information needed for the purchase of the car, for example. The first research question is how do we develop more complete information content for different vertical segments, namely IT, Auto, Games, Baby, House and Lady, of PCO in China? Why is it necessary to do so? How do I know the information our users want to see is relevant in order for them to stay with our web sites? How much of the information content is enough? The second and third research questions originated from my observation as a manager of PCO. In order for PCO to be successful, collaboration among employees of different vertical segments is paramount. Over the years, I have observed first-hand the different business transactions and organisational issues, such as the conflicts, that exist among employees in the company. I have gradually discovered some patterns emerging from the cultural aspect: employees not being willing to share; be they sales related issues or knowledge in general. Is this a unique phenomenon in present day China or is this actually quite common in business everywhere? My second research question is therefore aimed at examining the sharing and learning culture in PCO with the hope of gaining new insights and knowledge of the organisational and cultural aspects of the businesses in China today; in other words, “How to foster the sharing and learning culture in PCO in order to facilitate the synergism of resource utilization across the entire organisation? Why is it necessary to do so”? My third research question is “how to manage the cooperation and competition within the PCO and foster collaboration between business units to serve PCO’s customers? Why is it necessary to do so”? Both the second and third questions deal with the management of

PCO as a MVWS focusing on the business culture of the PCO and the social, economic, organisational and cultural factors and issues of its management and employees in China.

The business environment and economy in China have gone through dramatic changes in the past two decades and I have witnessed first-hand the change in the business environment and consumers' behaviour over the same period. Understanding the complexity of the business environment in China, the cultural dynamics of the Chinese family and the Chinese consumers are important in the company I am managing today. It is because of my observations in many of these aspects that I decided to carry out this research project with the hope that I can use the research methods and disciplines used by the academics and my business management knowledge to develop some generalised theory and add new knowledge to the existing theories and knowledge base. I hope my endeavour in writing this thesis can provide media scholars and researchers with topics for future research.

6.2 **The Chinese Social Norms in Sharing**

So far, I have shared with readers the importance of delivering the best possible user experience through multi-media information content and its challenge from a MVWS perspective, in particular, the challenge in creating knowledge sharing and synergy among different business units at PCO. In the past few years, I have spent a great deal of my time trying different methods to create the environment conducive to applying this concept, but have received mixed results. I am interested in the factors which motivate the Chinese, particularly, those who were born after the China OCP was established. How do we, as the

senior management of the company, lead our employees to confidently believe that teamwork would help them to perform better both individually and collectively? How do I allocate the rewards among contributors in the company, taking into consideration the needs of the business, fairness in the reward system and the Chinese culture and social norms? There are no easy answers to any of these questions. However, I do know that understanding the social norms which Chinese individuals follow in treating each other is important to my management of the company.

The three social norms which are often studied by scholars and researchers are “ren qing”, “he qing he li” and “he li” (Zhang & Yang, 1998: 257).

- “Ren qing” are two Chinese characters, “人情” which mean “human favour” ;
- “he qing he li” are four Chinese characters “合情合理” which mean “reasonableness”;
- “he li” are two Chinese characters “合理” which mean “fairness”.

In fact, “he qing he li” is made up of a combination of “ren qing” and “he li”, in other words, treating others with “ren qing” and “he li” equally is treating others with “reasonableness”.

Part of the component of our reward allocation formula can be based on these social schemes in the Chinese business environment. I take this approach partly because not everything I do in the company can be defined so clearly. Take the example of using some new Internet technology to produce a great user experience for the ladies to experiment with different fashion and accessories using the ‘virtual try on’. This is a very complex implementation of the application software which requires knowledge in fashion

trends and an understanding of user preference. It requires a team effort comprising of many individuals from different business units. When this new project is a success and produces incremental revenue for the company, the credits should go to the team, many of whom may work in the background. Applying only the “fairness norm” method in the determination of the reward allocation would not be even possible as it is difficult to measure each individual contribution fairly. The success of the project is also a function of resource allocation. In other words, management decisions also play a pivotal role in the process. In this example, perhaps the “reasonableness norm” method could be a more applicable way of reward allocation for most contributors.

I find that the “human favour norm” method could be more applicable in fostering the knowledge sharing environment. I recall how, in many situations, members of one team have not wanted to help other teams in a different business unit, either because there are no incentives to do so or because they are unwilling to help due to internal competition and rivalry. Given such situations, I feel that if I only focus on the “fairness norm” method, I would only get a half-hearted response. In fact, I am sometimes tempted to use the western management style of stick instead of carrot to get quicker results. However, in the long term, using the three social norms appropriately in motivating the Chinese employees in the company to foster knowledge sharing and collaboration is the strategic choice for us.

The reason why the three kinds of social norms are important in China is that people behave differently with different Guanxi, by this I am referring to the status of ties between two parties (Zhang & Yang. 1998: 256). Guanxi can be formed with connections by inheritance such as parent-child, brother-sister, uncle-niece or between cousins. Guanxi can also be formed by long time partnerships between business people, classmates and colleagues. These Guanxi based connections or special relationships can sometimes be the basis of one person sharing knowledge or collaborating with others. While it is not

something I can necessarily create through management actions, I really want to create an environment which encourages such relationships and communication to take place. In 2012, my eldest son had an opportunity to work at the PCO, and his assignment was to create the new product, the PCauto magazines for iPhone and iPad. Since its introduction, the PCauto magazine has received excellent reviews from the user group of the Apple App Store. When I asked my son about his experience at PCO and particularly, his thoughts on the help and collaboration with colleagues from different departments he came across at the PCO, his answer was he received excellent support from the different groups he had to work with. Sometimes, as he put it mildly, people went out of their way to make sure he was getting what he needed quickly. I am not surprised with the preferential treatment he received and this is just another example of Guanxi in action.

One final example is that I have weekly informal coffee meetings with my managers from the different business units in a coffee shop outside the company. This gives me a first-hand understanding of what is on the managers' minds as well as other issues, opportunities and challenges. This informal setting also provides the opportunity for the managers from different business units to communicate with one another. I am quite encouraged by the results so far as I can listen to what they can tell me directly, and I can also communicate to my management team my interests, priorities and expectations.

6.3 **Narrowing the Knowing-Doing Gap**

People in an organisation understand what needs to happen to affect individual and company performance, but often don't do the things they know they should. The Knowing-Doing gap (Pfeffer & Sutton, 1999: 11-12) matters in performance as the larger source of variations in performance stem from the company's ability to turn knowledge

into action. Over the years, I have discovered that knowledge is not just a tangible asset such as a presentation, some literature or technical know-how; it is often transferred between people by stories, insights and hands-on experience. In 1997 (Taylor, 1997: 38), Toyota invited 50 automotive executives and engineers to tour their car plant in Georgetown, Kentucky, USA. Toyota set the standard in efficiency, productivity and quality, and their knowledge in managing the Toyota Production System (TPS) at their car plants is legendary. Toyota utilised the kanban cards, andon cords and quality circles in the TPS. On the surface, the concept of TPS appears simple enough and yet none of their competitors could make it work as well as Toyota. Mike DaPrile, who ran Toyota's assembly facilities in Kentucky, described it as having three levels: Techniques, systems and philosophy.

"Many plants have put in andon cord that you pull to stop the assembly line if there is a problem. But it takes a lot of effort to drive the right philosophies down to the plant floor. A lot of people don't want to give the needed authority to the people on the line who deserve it (Taylor, 1997: 39)."

Instilling a learning and sharing culture in Toyota required the empowering of its workers; this is the centrepiece of Toyota's philosophy in their human resource management system that fosters creativity and innovation by encouraging employee participation, and engenders high levels of employee loyalty. As I reflect on the lessons I have learnt in my management career, I understand the importance of having such a philosophy engraved into the corporate culture of PCO. Other critical success factors in creating the learning and sharing culture is the measurement system to encourage and reward both individuals and team contributions. Measurement can turn knowledge into action. As I have learnt through my years in management, tangible rewards such as monetary incentives and promotions can only go so far. To build a strong, loyal workforce in China, I must also take into account the Chinese culture and social norms. Additionally,

actions speak louder than words. Practising the principles of knowledge sharing for all to see could help change the mind-set of those who are non-believers or unwilling participants. This change process can only be gradual and yet it is critical to our long term success.

The effectiveness of an organisation is its ability to create acceptable outcomes and actions (Pfeffer & Salancik, 2003: 11). In PCO, our effectiveness is how well we are meeting the demands of the various groups and organisations that are concerned with our activities. These groups, our stakeholders, include our readers, advertisers, partners and shareholders. The most important concept of organisational effectiveness, Pfeffer & Salancik argue (2003: 11) is that the acceptability of the organisation and its activities is ultimately judged by those outside the organisation. Our advertisers, for example, put terms and conditions against how we are paid using different performance based payment schemes. We also use some of their information content so that our readers can get valuable product and service information in a single place. There are cases when our advertisers want to place their advertisements in more than one vertical segment of our websites. This makes great sense as it would give our readers helpful information instantaneously. For example, a new mother would be interested in an easy to use digital camera for taking videos and photographs of her baby. Advertising the latest camera with choices of colour would make sense at the PCbaby web site as well as at PCOnline.

Even though I am managing the six vertical segments independently, my employees will need to have a mind-set to work collaboratively at all times so that my stakeholders are served well. I believe the best way to instil this concept to our employees is to be a market driven, sometimes known as customer driven, organisation. When we treat our readers and advertisers as our customers and we place our customers first in

everything we do, then it is easier to foster a sharing culture in our own company. The Knowing-Doing gap would tend to narrow a little as a result.

While there is no disagreement that collaboration and sharing among our employees are of paramount importance to the sustainability of the multiple vertical web sites business model of PCO, I have also experienced great resistance among many of our staff to do act in this way. Of course many factors could have contributed to our employees' behaviour. Western companies tend to use monetary incentives to motivate and change people's behaviour in order to align their management and staff to work towards the company goals and objectives. In the IBM turnaround story, Gerstner Jr. (2002:99-100) made bold changes to the incentive plan for his top executives and staff in order to foster cooperation among different business units of the company:

"Prior to my arrival, bonuses were paid to executives solely on the performance of their individual units. In other words, if your operation did well but the overall corporation did poorly, it didn't matter. You still got good bonus. This encouraged the me-centred culture. Therefore, beginning in 1994, we instituted a huge change. All executives would have some portion of their annual bonus determined by IBM's overall performance" (Gerstner Jr., 2002: 99-100).

How much behavioural change would result if I change our management's incentive plan in the same way that IBM did in 1994? Are there other factors that could have contributed to the behaviour of our relatively young management and staff in China?

So far I have discussed Toyota's corporate philosophy in fostering innovation and knowledge sharing. I also have seen the use of incentive plans to change senior management's behaviour to ensure collaboration across business units. To ensure employees at different levels do their work collaboratively and share their know-how

freely, incentive and recognition programmes, and working procedures would need to be devised. In addition, Micro-blogs such as Sina Weibo, the Chinese equivalent of Twitter and Facebook combined, with 503 million registered users in China by the end of 2012 (Mozur, 2012), can be used as a tool for knowledge sharing. At PCO, I will have to use private Micro-blog software for security reasons. Nevertheless, micro-blogs would be an ideal tool for informal communication. Our employees have been using it in their personal time to share stories, photos and daily happenings, and it just seems to be a perfect tool for knowledge sharing as well.

In order to provide more opportunity for the employees at PCO to work together and have fun at the same time, I have organised group activities in our annual outing. One key objective is for members of different business units to form teams to compete with one another. In one of the track games, four members of the same team have to tie their legs together to form a line and they have to run as a team to beat the other teams. As one can imagine, this is a fun game and has everything to do with working together in harmony as a team or it will be hard to move an inch. Other games involve splitting all the participants into eighteen teams of ten people each. Each team has to create a transformer in 5 minutes, i.e. turning the ten-person team into different shapes, for example, an architectural object, an appliance or any object of interest. Again these teams are made up of members from different business units. Our intent for the employees to collaborate at the PCO within and outside their business units is clear, and yet I am not sure this has made any significant change to our employees' behaviour when it comes to their unwillingness to share their knowledge with members of different business units.

6.4 **The Interdependence of Cooperation and Competition**

The topics of cooperation and competition have been researched and studied by academics and scholars and I have benefitted from a number of academics whose studies have been relevant to my situation at PCO (Tjosvold, 1988, Tjosvold & Deemer, 1980, Deutsch, 2006: 22-42, Deutsch, 2006: 69-91). Deutsch (Tjosvold, 1998: 288) Their research has identified three alternative goal interdependences: cooperation, competition and independence.

“With cooperative goals, people want each other to perform effectively, for such competence helps each person to be successful. In competition, people believe their goals are negatively related, so that one’s successful goal attainment makes others less likely to reach their goals. Independence occurs when people believe their goal attainment of one neither helps nor hinders the goal attainment of others” (Tjosvold, 1998: 288-289).

I agree with Tjosvold (Tjosvold, 1998: 288) that most situations are a mix of these types of interdependences. When I look at the goals I set for the heads of different business units, it is obvious that they are independent of one another. In other words, each of the business units is pursuing their business independent of other business units. When the PCO business was in the start-up and early stage of business development, I wanted to have each business unit focus on their business exclusively. Today, with over 10 years of business development, PCO is an established player in the industry. I believe now that the old way of doing business no longer applies. After all, each of our six verticals is in a different stage of business development. The PCauto, PConline and PCgames are in their mature stages while PClady, PCbaby and PChouse are in their early stages; hence their sales activities are quite different. For example, in the mature stage of the business development, a key focus is to maximise the relationship with the users and advertisers while in the early stage of the business development, I am focusing on acquiring users and

advertisers. Additionally, the marketing programmes of the two stages of business are also different.

Even though the business units are in different stages of business development, I realise that I have to instil a sharing culture in the PCO right from the start. I have to admit I have not paid enough attention to this very important aspect in the past years.

In 2013, I began to investigate the feasibility of having a General Manager who is responsible and accountable for the businesses of the PClady and another General Manager for the PCgames web sites. This reorganisation would allow PClady to pursue their own strategy in meeting the requirements of their users and advertisers to compete more effectively in the market. Since PClady is in a high growth market, we can invest even more heavily as long as the team can justify the investment needed. Similarly, PCgames is facing an increasingly competitive market. Mobile applications are critical in the online games market. With this organisational change, PCgames would be able to pursue their strategy aggressively in the mobile space. In other words, if I have one common strategy for all business units, then I could slow down the capability for PCgames to meet the demands of the mobile market and lose to competitors who do not operate in the MVWS business model.

With this organisational change, PCO would still share resources for the backend support such as administrative, financial management and IT services. I also know there are limitations even with this change as I have no plan to put IT development resources in each of the vertical web sites. I consider it is more efficient for the PCO to have IT development as a shared service similar to the Finance and Administration groups. As I progress, I must make it easier for our advertisers to do business with the PCO. For example, advertisers can place advertisements with PClady and PCgames simultaneously by just dealing with one single sales representative from either of the sales units within

PCO. I will have to make sure our sales process is streamlined and the rewards and bonus system are in place to resolve issues such as 'who gets the credit'.

In summary, to narrow the Knowing-Doing gap even further, I have to institute changes in people, processes, organisation and technology. Generally, I can rely on fine tuning different programmes and try to motivate PCO's employees to modify their behaviour and work habits. However, when PCO is already in a more mature stage, I can see that the six vertical web sites are substantially different in their businesses. Much like retailing, a fashion retailer is very different from the discount electronic retailer or auto dealership. Also, the type of information content and delivery media for the target audiences are also different. To be competitive in the market and serving the users and advertisers with the best possible offerings, PCO would have to be very responsive to the users and advertisers' needs. Sharing knowledge and collaboration across the six vertical web sites is certainly very important, but I also have to enable each vertical web site to pursue their own strategy in order to address their fast changing market demands effectively.

Chapter 7 DATA ANALYSIS

7.1 Overview of the Analysis Process

I have used a number of cases in my research study to illustrate the behaviour of my management and employees in the cooperation and competition within and outside of their business units. I also share my experience with my business associates and try to understand the issues facing them and how they are dealing with the problems. In this chapter, I will analyse the seven cases I have using the theoretical framework described in the study by Johnson (2003: 934-945) and (Tjosvold, 1988: 274-289). The interdependence dynamics of the Cooperation and Competition theory (Johnson, 2003: 935, Tjosvold, 1988:275-276) is categorised as shown in Figure 12 and Table 3.

Interdependence			Actions			Psychological Process						Interaction Pattern		Outcomes					
						Substitutability		Attitudes		Inducibility				Effort to achieve		Quality of relationship		Psychological Health	
+ve	-ve	No	Effective	Bungling	None	+ve	Non	+ve	-ve	+ve	-ve	Promotive	Contrient	+ve	-ve	+ve	-ve	+ve	-ve

Table 3: The Interdependence Dynamics of the Cooperation and Competition Theory

The results of the analysis of each case will be mapped against the relevant categories on the interdependence for the identification of patterns and correlations.

7.2 The Analysis of the Ethnographic Research Cases

7.2.1 ETHNOGRAPHIC RESEARCH CASE #1

Ethnographic Research Case #1 was described in paragraph 1.5: “In the development of the mobile Internet for different vertical websites in PConline, I asked the

head of the production team for one vertical website to use the mobile expertise in the IT department so that I could speed up the development of new products. I got a lot of push back from this manager who claimed that the IT department did not have enough knowledge of the industry. It is precisely for this reason that I want to see collaborations between the two groups so they can each contribute to the project with their own expertise. The push back, as I observed on more than one occasion, comes down to “who gets the credit”. The heads of the production team want to take full credit for everything in their business units. Hence, they discourage anything that requires collaboration with other departments even though it is in the company’s interest to do so. There is a Chinese idiom: “上有政策下有对策”, which means “The higher ups have policies while the lower downs have their own ways of getting around them”.

The fear of losing credit by using other department’s resources to accomplish a project is the main reason for the head of each production unit not to cooperate and collaborate with members of other departments. In taking such a stance, the production unit is not effective as it does not support the company goal to utilise resources effectively and efficiently. This negative interdependence shows a negative correlation for the production unit’s goal attainment and the IT department goals’ attainment. The degree of interdependence or relationship can be asymmetrical, in other words, one person’s attainment of his goal is more dependent on the other person’s attainment of goal. In this case, the head of the editorial unit has more power over the IT department as they control and own the content and their clients, the advertisers. He will have more of a say in the matters; hence his refusal to cooperate does not look too surprising. On the other hand, it is less likely that the IT department would reject the collaborative effort in the development of information content for the other business unit.

On the evaluation of the psychological process, clearly the head of the production unit did not see using resources from the IT department to accomplish his goal as a substitute for his desire to use his own resource to accomplish his goal even though he had neither the resources in his unit at that time nor the experience needed to complete the development task. He responded unfavourably to the proposal to collaborate with the IT department and rejected the offer from the IT department; hence the assessment of negative attitude and inducibility were noted in the psychological process.

This case ended in a contrient interaction because the head of the production unit wanted to do it alone; in other words, he wanted to succeed on his own without the other department being involved at all (failed to participate or collaborate). The outcomes of this case dampened or even destroyed the effort to achieve the objective and it hurt the relationship between the two units involved. Nobody was happy with the results. The result of this analysis is summarised in Table 4

Interdependence			Actions			Psychological Process						Interaction Pattern		Outcomes					
+ve	-ve	No	Effective	Bungling	None	Substitutability		Attitudes		Inducibility		Promotive	Contrient	Effort to achieve		Quality of relationship		Psychological Health	
						+ve	Non	+ve	-ve	+ve	-ve			+ve	-ve	+ve	-ve	+ve	-ve
	X			X			X		X		X		X		X		X		X

Table 4: Mapping of Case #1 with the Interdependence Theory of Cooperation and Competition

7.2.2 ETHNOGRAPHIC RESEARCH CASE #2

Ethnographic Research Case #2 was described in paragraph 1.5: “in the ten plus years since the incorporation of PConline, I have observed the unwillingness of many of the younger generation to share their knowledge and information even though the sharing could be for the good of other colleagues and for the company as a whole”.

In this case, it is merely my general observation and these occurrences are not necessarily goal specific. As 80% of my company employees are aged 30s or below, they are of the generation when the China OCP took effect. The general belief is that the OCP generation does not have the need or practice to share, particularly when they are with their family. These beliefs extend to when they are at school and university. Perhaps the need to share and collaborate is less important when they are at their young age, but at college, the need to share and collaborate with other colleagues increase extensively. From my point of view, the unwillingness to share can eventually become a real obstacle for these young employees in establishing promising careers. Their problems, as I see them, are more psychological than goal interdependent. Besides, when they are working well in a cooperative environment, the quality of relationship with their co-workers can be enhanced, leading to higher performance and achievement. After all, the time to start learning your craft is when you are young in the business and career and sharing and collaboration is the best way to accomplish goals. The result of this analysis is summarised in Table 5.

Interdependence			Actions				Psychological Process				Interaction Pattern		Outcomes			
+ve	-ve	No	Effective	Bungling	None	Substitutability	Non	Attitudes	Inducibility		Promotive	Contrient	Effort to achieve	Quality of relationship	Psychological Health	
		X		X			X		X			X		X		X

Table 5: Mapping of Case #2 with the Interdependence Theory of Cooperation and Competition

7.2.3 ETHNOGRAPHIC RESEARCH CASE #3

Ethnographic Research Case #3 was described in paragraph 1.5: “Early this year, I talked to a manager at PCO who was born in China and who is now in his 30s. This

manager has a number of employees who are in their 20s. I wanted his perspective on the China OCP in respect of managing his people so I asked him what he thought of China OCP. His reply was straightforward:

“China OCP does have an effect on his management of the group. Those who were born between 1987 and 1990, after China introduced the OCP, tend to be more self-centred and less willing to share. He has to resort to using Management-By-Objectives every six months for his group in order to keep them on track. In doing so, he feels he can keep them motivated and correct any performance issues before it is too late”.

In this case, the manager has resorted to using Management-By-Objectives to help his employees focus on what is expected of them. This seems to be an effective way to help the young employees to overcome the OCP syndrome. It would be unlikely that OCP is the sole contributor to the young generation’s self-centredness and unwillingness to share. Yet, periodic performance reviews can help to monitor the behaviour and attitude change of the employees. The result of this analysis is summarised in Table 6.

Interdependence			Actions			Psychological Process						Interaction Pattern		Outcomes					
+ve	-ve	No	Effective	Bungling	None	Substitutability		Attitudes		Inducibility		Promotive	Contrient	Effort to achieve		Quality of relationship		Psychological Health	
						+ve	Non	+ve	-ve	+ve	-ve			+ve	-ve	+ve	-ve	+ve	-ve
X			X			X		X		X		X		X		X		X	

Table 6: Mapping of Case #3 with the Interdependence Theory of Cooperation and Competition

7.2.4 ETHNOGRAPHIC RESEARCH CASE #4

Ethnographic Research Case #4 was described in paragraph 1.5: “In my participatory observation, I also discovered the area of competitiveness to be contrary to

the findings of the study (Cameron et al., 2013: 953) which documents that OCP has produced significantly less trusting, less trust worthy, more risk-averse, less competitive, more pessimistic, and less conscientious individuals. In terms of competitiveness of the employees at PCO, I have observed those born after the OCP are highly competitive. Many of our managers and employees at PCO compete aggressively within and outside their business units. To a large extent, internal competition helps employees stay focused on their goals which is essential in the business environment today. However, when employees compete without regard to the overall company business strategy and objectives, it is destructive to the business and damaging to the working relationship with other workers”.

Employees’ cooperative and competitive actions within the company are often balancing acts. People compete in one area but cooperate in another area. In order to capitalise on the value and benefits of both cooperation and competition in an organisation, the use of cooperative and shared goals among employees is essential. Additionally, performance goals and objectives would need to be tailored for individual employees such that both cooperative and competitive effort exercised by the employees can be optimised for the company’s strategy and goals. The result of an ideal outcome with cooperative goals is summarised in Table 7, while the worst case outcome of competitive goals is summarised in Table 8.

Interdependence			Actions			Psychological Process						Interaction Pattern		Outcomes					
+ve	-ve	No	Effective	Bungling	None	Substitutability		Attitudes		Inducibility		Promotive	Contrient	Effort to achieve		Quality of relationship		Psychological Health	
						+ve	Non	+ve	-ve	+ve	-ve			+ve	-ve	+ve	-ve	+ve	-ve
X			X			X		X		X		X		X		X		X	

Table 7: Mapping of Case #4 with the Interdependence Theory of Cooperation and Competition

Interdependence			Actions			Psychological Process						Interaction Pattern		Outcomes					
+ve	-ve	No	Effective	Bumbling	None	Substitutability		Attitudes		Inducibility		Promotive	Contrient	Effort to achieve		Quality of relationship		Psychological Health	
						+ve	-ve	+ve	-ve	+ve	-ve			+ve	-ve	+ve	-ve	+ve	-ve
	X			X			X		X		X		X		X	X		X	

Table 8: Mapping of Case #4 with the Interdependence Theory of Cooperation and Competition

7.2.5 **ETHNOGRAPHIC RESEARCH CASE #5**

Ethnographic Research Case #5 was described in paragraph 1.5: “Recently, I had a situation when a sales manager was not willing to share vertical segment advertising spaces with other vertical segments. The reason given by this marketing manager was that by sharing the advertising space with the other vertical segment, his brand would be compromised. I had to get personally involved to rectify the situation for the benefit of the advertisers and PCO”.

This is perhaps the best example of what not to do in a media company. Advertising space in a media company is a perishable asset and our advertisers want to put their advertisements in multiple vertical web sites; this is really why I pursued the MVWS business model in the first place. As a marketing manager, there is no excuse for not sharing their advertising space with another vertical segment. Even though I may have to consider the images of the various web sites, I can always use different creative advertising techniques to blend the advertisements without harming the brand. I personally think branding was never an issue. I was really angry to see how this senior manager behaved without regard for the overall company strategy, and worse still, our client, the advertiser who wanted to place multiple advertisements in our web sites, lost out. Furthermore, I might lose their future business if I were to allow negative action and behaviour to continue. The result of this analysis was summarised in Table 9.

Interdependence			Actions			Psychological Process						Interaction Pattern		Outcomes					
+ve	-ve	No	Effective	Bungling	None	Substitutability		Attitudes		Inducibility		Promotive	Contrient	Effort to achieve		Quality of relationship		Psychological Health	
						+ve	Non	+ve	-ve	+ve	-ve			+ve	-ve	+ve	-ve	+ve	-ve
	X			X			X		X		X		X		X		X		X

Table 9: Mapping of Case #5 with the Interdependence Theory of Cooperation and Competition

7.2.6 ETHNOGRAPHIC RESEARCH CASE #6

Ethnographic Research Case #6 was described in paragraph 1.5: “Pfeffer & Sutton (1999: 183) cited a study at a Microsoft business unit. Even though members of the team needed to share information with other team members in order to create the integrated software products, they chose not to do so as the allocation of rewards was based on individual performance, downplaying the importance of unselfish teamwork and promoting competition”.

In this Microsoft case, the need for employees’ cooperation and collaboration in the software development was essential. The rewards system was cited as the reason for employees to compete with one another and not to cooperate. Similar situations at PCO are also common. The allocation of rewards has to be aligned with the business units and company goals, and it must also be fair and provide enough motivation for the individuals involved (Table 10).

Interdependence			Actions			Psychological Process						Interaction Pattern		Outcomes					
+ve	-ve	No	Effective	Bungling	None	Substitutability		Attitudes		Inducibility		Promotive	Contrient	Effort to achieve		Quality of relationship		Psychological Health	
						+ve	Non	+ve	-ve	+ve	-ve			+ve	-ve	+ve	-ve	+ve	-ve
	X			X			X		X		X		X		X		X		X

Table 10: Mapping of Case #6 with the Interdependence Theory of Cooperation and Competition

7.2.7 ETHNOGRAPHIC RESEARCH CASE #7

Ethnographic Research Case #7 was described in paragraph 1.5: “I shared my experience with an executive who managed a professional service business organisation in China. He told me that the internal competition and rivalry among colleagues in China was intense and much stronger than what he had experienced in western countries. He recounted his first-day experience as the head of the professional service division in China; his General Manager wanted him to fire the Marketing Director for poor performance. He resisted and wanted more time to understand the issues. As it turned out, it was the General Manager who was not performing satisfactorily and he was jealous of the Marketing Director for his strong relationships with many of the clients. A month later, the General Manager was let go instead”.

This case is not related to goal interdependence but rather, it demonstrates the intensity of competition and internal rivalry in a company in China. The company as a whole suffers when employees do not treat each other fairly and just want to engage in political manoeuvres to protect themselves or their territory. The result of this case is summarised in Table 11.

Interdependence			Actions			Psychological Process						Interaction Pattern		Outcomes					
+ve	-ve	No	Effective	Bungling	None	Substitutability		Attitudes		Inducibility		Promotive	Contrient	Effort to achieve		Quality of relationship		Psychological Health	
						+ve	Non	+ve	-ve	+ve	-ve			+ve	-ve	+ve	-ve	+ve	-ve
	X			X			X		X		X		X		X		X		X

Table 11: Mapping of Case #7 with the Interdependence Theory of Cooperation and Competition

7.2.8 SUMMARY OF THE ANALYSIS OF THE ETHNOGRAPHIC RESEARCH

CASES

The mapping of the issues postulated from the ethnographic research cases viewed from the perspective of the interdependence theory of cooperation and competition helps to identify and uncover the root causes of the problems in question. Since ethnographical research case #4 relates to the observation of PCO's employees and China's OCP, and no specific outcomes were discussed, for a more accurate summarisation of the results, I will discard this particular ethnographic research case in the analysis. The result of the analysis is summarised in Table 12.

Case	Interdependence			Actions			Psychological Process						Interaction Pattern		Outcomes					
	+ve	-ve	No	Effective	Bungling	None	Substitutability		Attitudes		Inducibility		Promotive	Contrient	Effort to achieve		Quality of relationship		Psychological Health	
							+ve	Non	+ve	-ve	+ve	-ve			+ve	-ve	+ve	-ve	+ve	-ve
1		X			X			X		X		X		X		X		X		X
2			X		X			X		X		X		X		X		X		X
3	X			X			X		X		X		X		X		X		X	
4A	X			X			X		X		X		X		X		X		X	
4B		X			X			X		X		X		X		X		X		X
5		X			X			X		X		X		X		X		X		X
6		X			X			X		X		X		X		X		X		X
7		X			X			X		X		X		X		X		X		X
	1	4	1	1	5		1	5	1	5	1	5	1	5	1	5	1	5	1	5

Table 12: Summary of Mapping of Ethnographic Research Cases with Interdependence Theory

The result shows that, of the six ethnographic research cases studied, four have negative interdependence, which exists when there are negative correlations among individuals' goal attainments. Individuals engaged in such processes perceive that they can obtain their goals if and only if the other individuals with whom they are competitively linked fail to obtain their goals (Johnson, 2003: 935). Five actions out of six were due to bungling. In the three psychological processes resulting from the interdependence: Substitutability (i.e. the degree to which actions of one person substitute for the actions of another person (Johnson, 2003: 935)), non-substitutability scored '5' (i.e.

no substitutability is needed or possible). Negative attitudes scored '5' and inducibility (i.e. openness to being influenced and to influencing others (Johnson, 2003:935) scored '5'. Negative interdependence results in contrient interaction (i.e. individuals discourage and obstruct each other's efforts to complete tasks in order to reach their goal (Johnson, 2003: 935)). Contrient interaction scored '5'. The outcomes of five of the ethnographic research cases are of no surprise: 'effort to achieve' scored '5', 'quality of relationship' scored 5 and 'psychological health' scored '5'.

From the analysis, I can see the interdependence theory of cooperation and competition being highly applicable in explaining what may be really going on in the business environment. Additionally, there is a clear dependence of competitive goals to the negative outcomes for the business. I have therefore found the theory of cooperation and competition very practical and realistic. This theoretical framework helps me to separate any misconception and to identify the root cause of the problems. These discoveries also help me to formulate the solutions for the longer term as I have a better understanding of the interdependence of different elements in the interdependence process.

7.3 **The Synthesis of Findings in Research Studies and the Ethnographic Cases**

The results of this ethnographic research study are interpreted using the findings of the research studies reviewed in paragraph 3.7 and the ethnographic research cases described in paragraph 7.2. Key findings validated by research studies are summarised in Table 14 and key issues postulated by the ethnographic research cases are summarised in Table 15. The three research questions listed in Table 13 are addressed using the results of the analysis and the findings developed from this research project.

Research Questions	Description
1	How to develop more complete information content for different vertical segments, namely IT, Auto, Games and Lady, of PCO in China? Why is it necessary to do so?
2	How to foster the sharing and learning culture in PCO in order to facilitate the synergism across PCO? Why is it necessary to do so?
3	How to manage the cooperation and competition within the PCO and foster collaboration between business units to serve the PCO customers? Why is it necessary to do so?

Table 13: Research Questions of the Research Project

Research Study #	Key Study Findings
1	Justice, fairness, cooperative conflict management
2	Cooperative conflict & team task reflexivity
3	Cooperative conflict, relationship & confidence
4	Cooperative conflict & innovation
5	Shared rewards, cooperative goal & psychological safety

Table 14: Summary of Key Study Findings by Research Studies

Ethnographic Research Case #	Key Issues Postulated
1	Who gets the credits, competitive goals
2	No cooperative goal, China OCP
3	China OCP, Manage-By-Objectives
4	Employees' competitiveness, cooperative goals
5	Cooperative goals, shared rewards
6	Cooperative goals, rewards allocation
7	Internal competition

Table 15: Summary of Key Issues Raised by Ethnographic Research Cases

	Team Effectiveness	Effective leadership	Organisational innovation	Team task reflexivity	Justice	Organisational Psychological Safety
Manage conflicts cooperatively	X	X	X	X	X	
Manage shared goals and shared rewards cooperatively	X	X	X		X	X
Manage inter-personal relationships (guanxi)	X					

Table 16: Relationship Between Management of Key Actions and Desired Results

From the findings in the five research studies (Table 13), the relationship between the management of the key actions and the desired results are shown in Table 16. It is clear that managing conflict cooperatively, and managing shared goals and shared rewards cooperatively, are both fundamental to the building of effective teams, fostering sharing among teams, creating effective leadership, building an innovative organisation, enhancing justice among employees and creating organisational psychological safety. Furthermore, the management of inter-personal relationship (Guanxi) among team members builds a foundation for team effectiveness as well.

7.3.1 THE RELEVANCY OF RESEARCH STUDIES WITH RESEARCH QUESTIONS

Justice and fairness can play an important role in conflict management as the key study findings from my research study have shown. In the findings of research study #1 (p. 118), orienting members to manage conflict cooperatively leads to the strengthening of justice and effectiveness in teams in China (Chen & Tjosvold, 2002: 557). Fostering knowledge sharing and collaboration requires a cooperative approach in conflict

management; justice and fairness are key factors in motivating employees to share. Thus the findings in research study #1 (p. 118) are also relevant to the study of research questions #2 and #3 (Table 177).

Cooperative conflict management promotes team task reflexivity that in turn results in higher team performance (Tjosvold, Hui & Yu, 2003: 141) as the research study #2 (p. 119) concluded. West (2002: 355) defined team task reflexivity as the extent to which team members collectively reflect upon and adapt their team's objectives, strategies and processes. A key factor in the development of more complete information content in different vertical web sites, as stated in research question #1, is to have different business units to collaborate such that the interest and needs of our users are satisfied. For example, a new mother might want to know which digital camera to buy so that she can take photos of the new born. Relevant camera information should be available in the PCbaby website rather than just being on the PConline web site. Besides, our advertisers have demanded their advertisements be placed in multiple vertical segments. Even though traditionally, the digital product retailers and manufacturers are the clients of the PConline business unit, yet I have to make it easy for our advertisers to do business with PCO if and when they want to put the same advertisement on multiple web sites. In other words, advertisers who want to place advertisements in multiple web sites at PCO will only need to contact one sales representative from PCO. In this respect, I will have to resolve any issues internally on how credit and rewards should be handled across business units when operating as one team. Additionally, Team Task Reflexivity, defined as the extent to which team members collectively reflect upon and adapt their team's objectives, strategies and processes (West, 2002: 355) are also essential in learning and sharing (research question #2) and collaboration among business units (research question #3). Thus, cooperative conflict as opposed to competitive conflict, together with team task reflexivity are fundamental in

addressing the research questions #1, #2 and #3 since they have a strong dependency on team work, sharing and collaboration (Table 17).

Confidence in relationships among employees is essential for team effectiveness. Research study #3 (p. 119) found that managing conflicts cooperatively versus competitively strengthen employees' confidence in relationships and these relationships in turn predicated to team effectiveness. As research questions #2 and #3 deal with team effectiveness in collaboration, there is a strong correlation of the findings in research study #3 (p. 119) with research questions #2 and #3 (Table 17).

Top management teams can use conflicts productively when employing the cooperative, rather than competitive or avoiding, approaches to manage conflicts. The findings of research study #4 (p. 119) are especially relevant to the strategy of PCO to innovate and foster collaboration among business units. Top management plays the most important role, not just in setting examples for their employees but also in managing their business units effectively and efficiently. Thus, the findings of research study #4 (p. 119) address research questions #1, #2 and #3 (Table 17).

Shared rewards and cooperative goals being important foundations for the organisational psychological safety are two key findings in research study #5 (p. 120). The emphasis on cooperative goals, rather than competitive or independent goals also plays the constructive role in creating the psychological safety element essential to addressing research questions #1, #2 and #3 (Table 17).

Research Study #	Research Questions #
1	2,3
2	1,2,3
3	2,3
4	1,2,3
5	1,2,3

Table 17: Correlation of Research Studies with Research Questions

The five studies chosen for this research have been validated in China, and they will form part of the theoretical framework needed in shaping the findings and results of my research project.

7.3.2 THE RELEVANCY OF ETHNOGRAPHIC RESEARCH CASES WITH RESEARCH QUESTIONS

In the ethnographic cases #2, #5 and #6, the resistance of team members to share their knowledge, business opportunities, and territories with other colleagues in other business units comes down to issues of rewards allocation and personal recognition. In other words, conflicts arise when one party or both parties feel they are not being treated fairly. This injustice or unfairness, whether real or perceived, must be dealt with first before I can move on to sharing and collaboration, particularly when one party's vested interest may be directly or indirectly adversely affected. In short, research questions #2 and #3 will address some of the issues described in ethnographic research cases #2, #5 and #6 (Table 17).

For ethnographic research case #1, the unwillingness of the head of the production unit to use the IT department's resources, for fear of not getting full credit when the project was complete, successfully indicates that he either wanted the full credit, i.e.

issues of rewards allocation or did not want to share his knowledge with another department. In fact, the issues postulated in ethnographic research case #1 are addressed by all the three research questions #1, #2 and #3.

For ethnographic research case #4, a key issue is that China's OCP does not necessarily make their citizens less competitive. Instead, it is an issue of how best I can capitalise on the value and benefits of cooperation and competition. Setting up cooperative goals aligned with the company's strategies for employees would give the employees the incentives and support to succeed in PCO. In this regard, internal competition is optimised for the benefits of the company as a whole. Thus, ethnographic research case #4 predominantly addresses research question #3 (Table 17).

Ethnographic research case #3 identifies the issue of China's OCP which poses another management challenge. In this case, the unwillingness of the young generation to share is the topic for research and discussion. When the local manager resorted to Management-By-Objectives (MBO) and reviewing employees' performance bi-annually the company seemed to work well. Keeping a close watch over his employees' behaviour also adds assurance to achieving the desired results. This ethnographic research case #3 demonstrates that MBO with cooperative goals can help to alleviate the negative perception that China's OCP created a generation of workers who are unwilling to share. Additionally, employees can be guided with cooperative goals to address the topics under study in research questions #1, #2 and #3 (Table 17).

Ethnographic research case #7 showed how far a senior manager would go to get rid of a manager with misleading information. Internal competition and rivalry in China could be even stronger than I experienced in the West. The issues raised in the ethnographic research case #7 are addressed by research question #3 (Table 17).

Ethnographic Research Case #	Research Question #
1	1,2,3
2	2,3
3	1, 2, 3
4	3
5	2,3
6	2,3
7	3

Table 18: Correlation of Ethnographic Research Cases with Research Questions

The seven ethnographic research cases are my participatory observations which occurred over a period of about ten years in China, and they represent valid, reliable and creditable samples of data for my research project.

Chapter 8 DISCUSSION ON RESULTS AND FINDINGS

This chapter is divided into two parts. The first part focuses on what is already known regarding the interdependence theory of ‘cooperation and competition’ in the academic context and its applications to the sustainability of PCO as MVWS in China. The second part will focus on the findings of this research project.

8.1 Interdependence Theory and the Sustainability of PCO as MVWS

The theory of ‘Cooperation and Competition’ provides the theoretical framework to understand the interdependence of the factors affecting the outcome of the actions taken by organisations in cooperation and competition. This theoretical framework can also help decision makers and management in the development of organisational strategy and to address some of the issues that this theory of ‘cooperation and competition’ encompasses.

When I use Deutsch’s theory of cooperation and competition (4.5) as a framework to aid the analysis of the PCO’s situations, I have put the actions, behaviours and interactions taken by my management and employees into context. Additionally, the interdependence of goals and outcomes can also be understood with a much higher degree of confidence. One reason for my having confidence is due to fact that the validated results were done independently by a number of scholars and academics over an extended period of time of 11 decades (Johnson & Johnson, 2009: 365). Another reason is because of my observations of the employees and management at PCO for over one decade. Particularly in the past three years, when some of PCO’s vertical segments have been experiencing much higher growth than the other vertical segments, the employees’ behaviour, attitudes and interactions have become more pronounced. In other words, when employees feel more is at stake when it comes to their rewards and bonuses, for example,

their natural tendency is to get the most rewards from their effort. Unfortunately, some of the efforts exerted by them are self-serving and have not taken the good of the company as a whole into account.

In the five research studies used (3.7) for the analysis of the PCO's ethnographic research cases (7.2), goals, fairness, rewards, conflict management, relationships and psychological health are all important factors in the findings (summarised in Table 14) to consider when studying the impact of cooperation and competition in an organisation. Rahim (2002: 207) conceptualises conflict as an interactive process manifested in incompatibility, disagreement, or dissonance within or between individuals, groups, or organisations. Conflicts should be viewed by management as an opportunity to understand the issues in the organisation and among employees. Conflict management can then become a process for reducing the adverse aspects of conflict while improving the positive outcome as a result of the conflict. Thus, the aim of conflict management in an organisation is to manage the issues causing the conflicts, improve the outcome and enhance the effectiveness or performance of the organisation.

Teamwork is important in the PCO as it is practical to transfer the capability from one group to another in the multiple vertical segments. Resources used collaboratively in PCO reduce time-to-market and improve the organisational effectiveness and profitability. Today, competitors can easily see what PCO has on the web sites. New presentations and products can be duplicated rather easily; therefore, PCO will have to compete on the product innovation, technology, organisational capability and processes. The organisation's ability to motivate teams, turn resources into capabilities and the management's commitment to teamwork across the verticals are all critical elements in building sustainable competitive advantages.

Organisational justice refers to perceptions of how fairly treated employees are in the workplace and conflict management promotes team effectiveness in China by developing justice (Chen & Tjosvold, 2002: 559). The role of management in determining a fair reward system for their employees is not only critical in fostering teamwork among business units, it is also essential in the development of cooperative goals among employees of different business units. In other words, a cooperative approach in conflict management can only be achieved when there is organisational justice among employees in the first place.

A cooperative approach in conflict management promotes team task reflexivity that in turn results in team performance as I found in Research Study #2 (p. 119) discussed earlier (p.85). Tjosvold, Hui & Yu (2003: 143) defined team task reflexivity as the extent to which team members collectively reflect upon and adapt their team's objectives, strategies and processes. Specifically, Research Study #2 (p. 119) supports that the cooperative approach as opposed to the competitive approach to manage team conflict develops team members' confidence and the ability to reflect upon their team processes (Tjosvold, Hui & Yu, 2003: 142), which has direct effect on a teams' accomplishment and positive attitudes. Getting the parties in conflict to think through the issues together, take each other's points of views into account and jointly develop a working solution are always the first step to resolve the conflict. This cooperative approach in conflict management becomes the foundation for effective team task reflexivity.

When I discussed Guanxi (relationships) as one of the Chinese social norms (6.2), I stressed the importance of using three social norms as the situations warrant. In fact, these three social norms (paragraph 6.2), namely, human favour (人情), reasonableness (合情合理) and fairness (合理) are used formally and informally between organisations, teams and individuals. The social norm 'human favour' is commonly associated with

trading favours among individuals and organisations. Another social behaviour often associated with 'human favour' is 'face (面子)'. 'Losing Face (失面子)' could be due to the act of not returning favours to other reciprocally. This is one of the reasons why some of the Guanxi (relationship) is built over time with favours being traded between parties continuously. The fear of 'losing face (失面子)' can sometimes be viewed as the motivation to keep the relationship intact among Chinese people. 'Fairness (合理)' as one of the social norms in Guanxi is sometimes different from what is considered fair in a business or contractual context. In other words, 'Fairness (合理)' can be just or appropriate according to the circumstances; its determination by the principal actors involved can be subjective. When I look at the favours being traded, this simply means that being fair in Guanxi does not always mean the reciprocity of favours must be equal in every aspect. Reasonableness (合情合理) as a social norm is a mixture of human favour (人情) and fairness (合理). Similar to 'Fairness (合理)' discussed earlier, reasonableness (合情合理) is not a mathematical formula with 50%-human favour (人情) and 50%-fairness (合理) or any percentage in combination. In the Chinese culture, reasonableness (合情合理) is simply what is reasonable in the eyes of the principal actors.

The understanding of Guanxi is important in the Chinese culture just because it is practised both in the organisational and personal settings. In an organisational setting, Guanxi is also used informally between management and employees, often without any direction and influence from any third parties. In other words, one team or member helps another team or member simply because they accept and use Guanxi in building their network. Personal Guanxi promotes mutual exchange and is needed to supplement rules and roles (Chen & Tjosvold, 2012: 446). Research Study #3 (p.119) asserts that conflict, when managed cooperatively, can promote relationships among team members in China (Tjosvold, Poon & Yu, 2005: 347). Confidence in relationships among members, as a measure of the quality of interpersonal relationships in this study (Tjosvold, Poon & Yu,

2005: 343), was found to contribute to team effectiveness which is defined as the extent to which a team is able to serve its users effectively (Tjosvold, Poon & Yu, 2005: 351,356). The value of relationship is particularly applicable to China as Guanxi has been considered so essential in doing business in China at different organisational levels within and among the organisations.

I have discussed the PCO's business environments and market in earlier chapters, i.e. the rapid change in consumers' buying behaviour in China (4.1.2), the use of mobile Internet in helping users to keep abreast of the product and purchasing information (4.1.7), the continued effort to differentiate PCO's brands in the market and the requirement for the PCO organisation to increase specialisation. There is a critical need for PCO to continuously innovate in order to be sustainable in the market in China. As Chen, Liu & Tjosvold (2005) assert in Research Study #4 (p.119), top management teams are called upon to develop effective ways organisations can innovate and adapt to the rapidly changing environment (2005: 277). The study results support that top management are able to use conflict productively when they relied upon cooperative, and not competitive or avoiding, approaches to manage the conflicts in the company. Additionally, managing conflict productively is in turn effective and leads to innovative organisations (Chen, Liu & Tjosvold, 2005: 291). Not only is innovation key to the sustainability of PCO in the MVWS business model, the ability for PCO to rapidly replicate their innovative ideas across other business units is also another important factor to our gaining a sustainable competitive advantage. Thus, the organisational innovation and sharing culture in PCO are equally important and have to be built as PCO's core competence.

The findings in the Research Study #5 (p. 120) support that cooperative goals among departments help employees feel openness and psychological safety and that sharing rewards strengthens cooperative goals (Chen & Tjosvold, 2012: 445).

8.1.1 FINDING #1

Finding #1: For PCO with the MVWS business model, the stage of the business maturity and the difference in growth potential of the business units affects the setting of cooperative goals and, the types and nature of reward schemes for employees and managers in the business units.

I discussed the benefits of the MVWS business model earlier and the use of shared resources among the six vertical segments in order to capitalise on the economy of scale and scope using MVWS. In theory, cooperative goals, shared rewards and cooperative conflict management are keys to improve team effectiveness and provide the organisation with the psychological security needed for the employees. However, I have found that cooperative goals and shared rewards cannot be uniformly applied to PCO business units without first understanding the factors that could render its application irrelevant or potentially destructive. The two factors are the stage of the maturity of the business units and their growth potential.

(1) Stage of maturity - When the six business units of PCO, PCbaby, for example, are still in the early stage of business maturity, the strategy for each business unit is to establish the business presence and acquire a market share; hence, the business contribution to PCO for this business unit is relatively small compared to the more mature

business unit such as PCauto. When I establish the goals and reward schemes for these two business units, for example, the business focus and contribution levels to PCO are markedly different. As a result, cooperative goals for these two business units are not necessarily relevant and practical to implement. In PCbaby, because of its early stage in business development, the focus for this business unit is to build up the information content and gather more feedback from users. Initially, the advertising revenue is not as significant to PCO as the more mature business units. PCO has to continue to invest in PCbaby to strive for the leadership position in the segment.

(2) Growth potential of the business units - The growth potential for the business units is dependent on the market size of the segment the business units target and the perceived value by users and advertisers of what the business units deliver. Using the PCauto and PCbaby as the examples, the growth potential of the automobile segment in China is still very high as discussed earlier (4.1.6). Furthermore, PCauto has achieved a dominant position in the segment in China. Hence, the growth potential for PCauto is in double digits and much higher than PCbaby. While the use of cooperative goals among verticals helps to achieve psychological safety for the employees and reward sharing strengthens cooperative goals, the reward schemes for these two business units are markedly different since the actual business contributions to PCO between the PCauto and PCbaby are substantially different. On one hand, if I set up the reward scheme with the lower business contributor as the reference between the two business units, it will demotivate the high business contributors. On the other hand, if I set the reward scheme with the high business contributor as the reference, it will be too costly for the company and essentially render our business not competitive in the market.

In fact, the type and nature of the award schemes should be based on the contributions to the business; and even with different reward schemes for different business units; it is still a fair reward scheme. Unfortunately, I also find that business units which do not get the same lucrative reward scheme as the high contributors become upset and argue that the reward sharing is not fair to them. However, the difference in reward schemes is actually fair because, for the business units with higher growth potential, when the employees make or exceed their goals, their rewards should be more than those employees who are in business units with lower growth potential. From the business perspective, it would de-motivate the employees in the business units with higher growth if I adapt the shared reward scheme uniformly.

Cooperative goals, while important to team effectiveness and the management of conflicts, cannot always be practical to implement because the employees may perceive the sharing between business units as non-productive activities, particularly among those who have the knowledge. Additionally, in an industry like the Internet in China, the market conditions change rapidly. My strategy is to motivate my managers to expand the business they are responsible for as quickly and as profitably as possible. The type of reward sharing schemes is substantially different from those in business units where the business potentials are substantially less. This represents another challenge in managing PCO with the MVWS business model to use the same reward sharing schemes for different business units. Thus, cooperative goals may be possible to implement across business units in a limited way but the shared rewards scheme would have to be tailored even if not perceived as “fair and just” by all employees.

When employees are treated fairly, they are motivated to work towards their goals. Organisations with core value to treat employees justly and fairly may turn out to be higher performers and more resilient. In a MVWS business model, I also know that I could not reward every employee and manager using the same rewards scheme. Shared rewards which are in the forms of group bonuses and company profit-sharing plans (Chen & Tjosvold, 2012: 437) would have to be understood and administered differently. On one hand, since the contribution levels are different in different business units, group bonuses would not be applicable to PCO across the business units. Furthermore, profit-sharing plans such as employees' stock award plan must also be dependent on actual contribution to PCO's profitability. Otherwise, the shared reward plan could become a de-motivator for the high performers while over compensating the non-performers.

I am not saying that Research Study #5 (p.120) is not valid; on the contrary, Research Study #5 (p. 120) confirms that cooperative goals and shared rewards are important to providing employees the psychological safety needed. I simply raise the issue that cooperative goals and shared rewards cannot be applied uniformly across different business units without understanding the maturity of the business unit and the growth potential. Maturity and growth potentials of the business units would have to be factored in the study in order to have practical application in companies such as PCO. These two business dynamics when used in conjunction with the theory of 'cooperation and competition' to develop the objectives and rewards schemes for business units can help to manage the business more effectively. From an operation perspective, expectation from those employees who might consider their rewards scheme not comparable and unfair must also be managed appropriately. The two factors, namely, 'stage of business maturity'

and ‘business growth potential’, should be included in the evaluation of ‘cooperation and competition’ theory and its application to the business units in companies in China. This finding should be used to supplement the current knowledge of ‘cooperation and competition’ based on the Deutsch’s Interdependence Theory.

8.1.2 FINDING #2

Finding #2: Knowledge Sharing and collaboration among business units is as essential for PCO as MVWS but individuals and teams in business units must address the issues of rewards schemes and the perceived ‘unjust and unfair’ treatment as a result of the difference in business maturity and growth potential of the individual business units.

Recognising the presence of Finding #1, PCO as MVWS has to overcome the employees’ perceived ‘unjust and unfair’ treatment in different business units before knowledge sharing and collaboration can take place smoothly and continuously. Cooperative goals can be set up among business units but employees would find it hard to achieve those goals together as some of them would feel that they are not being compensated fairly. This is not a psychological barrier to overcome but a real and tangible issue to consider when MVWS is implemented in PCO. The perceived ‘unjust and unfair’ treatment by employees becomes a barrier to collaboration and sharing including knowledge and cooperation. Furthermore, this perceived ‘unjust and unfair’ issue would not exist in a company with a single vertical web site since the reward system can be linked to the overall performance of the company which essentially is a single vertical segment and market. This finding is in support of the findings in the Research Studies #1 (p. 83) & #3 (p.84).

8.1.3 FINDING #3

Finding #3: Guanxi (relationship) could strengthen confidence in relationships and supplement rules and roles in teams which in turn enhance team effectiveness in China.

In order for PCO to foster sharing among business units, I must first implement cooperative goals among employees in the business units. The cooperative goals, for areas where business units should cooperate between each other, are in addition to the individual goals each business unit will pursue alone. Cooperative goals are important for building relationships among employees of different business units; they can also help in cooperatively resolving conflicts between business units. For the organisational conflicts observed at PCO and other companies described in the seven Ethnographic Research Cases (6.2), I have found the Theory of Cooperation and Competition applies to the situations described in this study project. I have also discovered that Guanxi (relationship) could add a new dimension to foster cooperation among business units and help resolve conflicts in an effective way. This is because Guanxi (relationship) between individuals, teams or organisations is more subtle and woven in the fabric of Chinese culture. While Guanxi (relationship) is by no means a replacement for relationships strengthened by cooperative conflict resolution, it is nevertheless an enabler in cooperation and collaboration among business units and individuals at PCO when it is practised. Guanxi is most commonly practised between individuals when individuals are trading favours, which in turn build even stronger Guanxi (relationship). In fact, Guanxi (relationship) could strengthen confidence in relationships and supplement rules and roles in teams which in turn enhance team effectiveness. This finding is in support of the finding in Chen & Tjosvold's research study (2012: 446).

8.1.4 FINDING #4

Finding #4: To the extent that business maturity and the business growth potential of the business units are addressed in the MVWS business model in China, career opportunities for advancement in the organisation are essential for employees to feel that they are working for a good company. In other words, they feel that they have psychological safety.

I discussed the finding of Research Study #5 (p.120) that shared rewards and cooperative goals are important foundations for organisational psychological safety in China. With Findings # 1 and #2 discussed earlier in paragraphs (8.1.1), I know there will be difficulty in making everyone perceive they are being treated 'fairly' in light of the difference in the business maturity and growth potential of the business units. What I also discovered is that, when I use different techniques and programmes to manage the disparity in the reward schemes and goal setting among the business units, employees respond favourably to the need for psychological safety. In other words, employees want to work for a company with vision and long term goals. They feel psychologically safe when they are offered career opportunities for advancement and growth. In the internet media business in China, employee turnover is high in the industry. Consequently, I am looking into formulating the career planning programme for the employees at PCO as it may be helpful to alleviate the concerns employees have about the difference in the award schemes simply because of the business units they are in. Instead, if they also know that they can be given opportunities to move into other roles and different business units when they have demonstrated their capability. Thus, this might help to motivate the employees in their current roles even with different reward schemes. The use of a career planning programme as a motivator in addressing the disparity of the rewards system in the business units and linking psychological safety as the ultimate benefit for employees

could be a workable solution for PCO with a MVWS business model. This new insight, together with the findings from Research Study #5 (p.120) could be good topics for further research.

8.1.5 FINDING #5

Finding #5: To the extent that conflicts are managed systematically, they can help the management of companies in China to understand the real issues facing our employees. Cooperative conflict management can help build trust and confidence with employees and promote the willingness of employees to work towards the goals of the company.

When there is mistrust in employees towards the company, it is difficult to convince them to focus on the goals of the company; especially those goals which may require the sharing of knowledge and resources with other business units. In the research of interdependence theory, I find the Research Study #4 (p.119) applicable to PCO in the MVWS environment. As I need management and employees to share their knowhow and continuously innovate, I often come across the unwillingness of employees to collaborate and share what they know with employees in other business units. That reflects one of the main purposes of having the MVWS business model which encourages the assets and resources to be shared among business units in order to reduce the time-to-market in new product and service development and efficient use of company resources in sales and marketing.

8.1.6 FINDING #6

Finding #6: To the extent that Inter-organisational alliances can be formalised between different business units at PCO, collaboration among business units can be facilitated to improve product and service delivery.

Inter-organisational alliances described in paragraph 3.3 discussed the setting up of the Inter-organisational Coordination Council (ICC) and interdepartmental teams. This formalisation of relationships between the business units with a clear mandate from the company could facilitate collaboration among business units. This is essentially the setting up of cooperative goals between business units. Although this study was validated in a public sector agency, the Creek County in Michigan, USA, and may not apply equally well to PCO in China, it is the formal arrangement such as contracts or service level agreements that I may need in getting two business units to collaborate. Inter-organisational Alliances is one method of formulisation of the business arrangements between parties in order to avoid unnecessary conflicts and misunderstandings. The terms of the alliances are spelled out with each parties understanding the benefits and responsibilities in advance. Besides, the results and findings of the Theory of Cooperation and Competition still apply to the Inter-organisational Alliance. Thus, an Inter-organisational Alliance could be a viable option to consider in PCO's current situation whether PCO is a MVWS or a combination of 'Single' Vertical Web Site and MVWS. This finding is an enhancement over findings of the Theory of Cooperation and Competition discussed in paragraphs 4.5, 3.6 & 4.7.

8.1.7 FINDING #7

Finding #7: In the sustainability of the MVWS business model, building a lasting relationship with users is a competitive advantage. With these relationships with users, PCO can provide higher value services to users by offering more complete information content matching the users' aspiring lifestyles and life events.

Earlier, I discussed the various benefits of adopting MVWS as a business model. One of the benefits is the ability to provide higher value services to users with information content matching their aspiring lifestyles and life events. I have found this to be a competitive advantage over the single vertical web site business model. Furthermore, our advertisers have also seen this as an important strategy to reach these consumers; they have requested PCO to place their advertisements in more than one vertical segment of our web sites at the same time. This is the strength of PCO using the MVWS business model since I have both advertising and editorial capabilities for all the vertical segments in-house. However, in order to have cooperation and sharing in executing this strategy, our employees must be willing to share their advertising spaces with other business units and work collaboratively in the sales and marketing effort. Finding #6 and #7 can be linked in order to achieve the collaboration needed. And when that happens, PCO's users and advertisers' requirements would be well served. PCO's sustainability as MVWS would be further enhanced and secured. Finding #7 is a new insight as a result of this research project.

Chapter 9 CONCLUSIONS AND RECOMMENDATIONS

Is MVWS as a business model sustainable in a rapidly growing and changing Internet media business in China? What are the key success factors; the two or three most important factors that must go well in order for PCO using MVWS as the business model to be successful in China? Why are they so important? The primary focus of this research project has been to seek answers and solutions to the following three research questions:

1. How to develop more complete information content for different vertical segments, namely IT, Auto, Games, Baby, House and Lady, of PCO in China? Why is it necessary to do so?
2. How to foster the sharing and learning culture in PCO in order to facilitate the synergism across PCO? Why is it necessary to do so?
3. How to manage the cooperation and competition within the PCO and foster collaboration between business units to serve the PCO customers? Why is it necessary to do so?

The autoethnographic approach was chosen because I wanted to reflect upon what I have observed over the past thirteen years as an entrepreneur and business manager in China. I have witnessed first-hand why some companies fail, particularly foreign companies which adopt their western business culture and management techniques without first understanding the culture and dynamics of Chinese business, governmental relationships and the Chinese people. Additionally, I used PCO as a case study to illustrate some of the management decisions and actions I took in order to address the issues and business challenges of PCO. While I never intended to use too many theories to support my actions, I have learnt a great deal through conducting this research project and have come to understand the value of academic research theories such as the Interdependence Theory as described in paragraph 4.5. This research project turned into a very pleasant

surprise for me, for even though I knew conceptually what I was getting into when I started this research project, I did not realise that I could benefit so much from it, both professionally and personally.

When I examined the findings from Research Question #1 of this research project, I discovered that more complete information content is primarily driven by the requirements and interests of our users (consumers) and advertisers. The latter also represents product manufacturers, distributors and retailers. PCO's role in delivering information content is to satisfy the needs of our users and advertisers to a great extent. I have seen the shift of our advertisers who want to sell their products and services to the same customers in multiple vertical segments. In this respect, PCO with the MVWS business model is in a good position to physically satisfy our advertisers' needs. In addition, serving our users according to their aspiring lifestyles and different life events creates tremendous business opportunities for PCO, and it provides a sustainable competitive advantage for PCO. In other words, instead of meeting our users' specific needs for just one moment in time, I am now able to anticipate the needs of our users throughout the different periods of their lives, such as their interests in entertainment, education, dressing for work, major purchase decisions or events such as buying a car and house, furnishing the home or starting a family.

This integrated approach to marketing our information content to users has proven to be very challenging. However, it has not been difficult to understand or anticipate what information content is required to meet the needs of the users and advertisers or what technologies and platforms I should use to distribute the information content. The real challenge is in trying to change the culture of the management and

employees in PCO in order to build a sharing culture in the company. When I can establish a sharing culture, the needs of users and advertisers will be able to be met more effectively and efficiently. Although the editorial control of the information content for the vertical web site will still be residing in the relevant segments, to be successful in the business, the knowledge of what works and what does not work should be shared freely across the different vertical segments. The Information Technology service could still be organised as a shared service and act as an enabler and catalyst to help business units to deploy new technology and capabilities effectively. Thus, the relationship and collaboration between business units at PCO are critical for the benefits of our users, advertisers and PCO as a whole.

The Theory of Cooperation and Competition discussed in paragraph 4.5 and the five Research Studies in China discussed in paragraph 4.7 are fundamental in addressing Research Question #2. I have examined China's OCP and the effect on the behaviour of our employees who were born after it was put into effect in 1979. The Ethnographic Research Case #3 (paragraph 7.2.3) provides some insights from a local manager who was born just before the OCP took effect. While I think China's OCP does have influence over how a child is raised in a family with pampering from their parents and grandparents, I have no evidence that these children are treated as special in their schools or at work. I also do not see any evidence to suggest that the behaviour of people is a product of how they are treated in their families alone. Thus, viewing China's OCP policy as being the cause of why PCO's employees do not want to share their knowledge at work does not seem conclusive. In fact, when I examined the behaviour of PCO's employees, they had strong opinions on why they did not want to share their advertising space or knowledge

with their colleagues in other business units; their behaviour is driven largely by the competitive goals they hold on a personal level. They simply do not see any benefit in sharing anything as there have been no direct benefits to them for doing so; the attainment of their goals alone have been solely linked to the amount of rewards and bonuses they have been receiving. This evidence is also supported by the Theory of Cooperation and Competition (4.5) and the findings from the five Research Studies (3.7), i.e. cooperative goals, and not competitive goals or no goals: (1) strengthen confidence in relationships between two parties in conflicts; (2) foster cooperation between parties and (3) develop a sense of fairness and justice in teams. For PCO to have improved sharing and a learning culture across the verticals, I must first look for ways to establish cooperative goals among my management and employees in the business units; otherwise, the conflicts and obstacles will not be easily solved. Since PCO is using the MVWS business model, the sharing and knowledge transfer are fundamental to the sustainability of PCO. Without a sharing and learning culture being instilled in the company, I will not be able to compete in the market to meet the needs of our advertisers and users effectively and efficiently.

Research Question #3 deals with the management of cooperation and collaboration across the business units at PCO. This is more than simply cooperation among business unit staff as it involves shared responsibility and authority. Thus, for collaboration to be implemented in the business units, I have to look to a more formal structural change in the organisation. The Theory of Cooperation and Competition (3.6) and the results of the five Research Studies (3.7) are still valid in understanding the collaboration as they are fundamental in cooperation among business units. In other words,

collaboration is a superset of cooperative activities. In a MVWS business model, I have found it very difficult to establish collaboration across the business units without major restructuring of the organisation. I discussed an experiment earlier (6.4) of separating PCgames and PClady from the MVWS with a General Manager for PCgames and another for PClady. With the responsibility, accountability and authority given to the General Managers, my objective would be to empower the GMs of both to have the profit and loss responsibility for their business units. Both business units would also have their own sales and marketing teams, and they would have to reduce the time-to-market in the development of new products and services for our users and advertisers. In order for the two business units to be competitive in the market, each of these business units could also have different reward systems which are competitive in the industry and tailored to their business growth potential. Additionally, collaboration with other business units could be implemented with inter-organisational alliances or contractual arrangements or service level agreements if appropriate. As I am mindful of the learning curve required and possible issues that could be created in the management of these two independent business units together with the four vertical web sites, I want to be careful in its implementation, and this is the reason why I am still in the feasibility study phase of the experiment.

Another option to consider in facilitating collaboration across business units is to implement the Inter-organisational Alliances between them. This topic was first discussed in paragraph 3.3 and later in paragraph 8.1.6. I see this as an alternative to having all vertical web sites as independent business units because it would help to maintain the current MVWS business model while exploiting a more cost effective way in the development and delivery of products and services. Inter-organisational alliances provide

cooperative goals to be set up between business units; this greatly facilitates the collaboration and sharing between business units to take place as the Theory of Cooperation and Competition and the findings attest.

The reason why I need to have the business units to work cooperatively and collaboratively is that without it, PCO would not have the synergy among the business units that I derived from the MVWS business model in the early years of PCO. In other words, if MVWS is not a viable business model for PCO now, I should look into alternatives in order to make the company a sustainable business entity in the long run.

I am aware that this research project has its limitations. First, many of the ethnographic research cases I have discussed are my participatory observations, and I may be biased in some of my observations. Second, the number of the ethnographic research cases is relatively small and may not be sufficient to be generalised into anything of significance. Third, I mainly look at the cultural and organisational aspects of employees in PCO in this research project, and there may be other factors of some importance that may also contribute to the sustainability of PCO using the MVWS business model in China. The omission is not intentional but rather, I personally believe that the cultural and organisational aspects at the current stage of PCO in China are the most critical factors to study and master, hence the focus of this research project.

As previously discussed in the outcomes of this research project (2.4), I want to look beyond the current practice at the PCO and explore potentially effective solutions to address the research questions. I hope by discussing with readers what I have faced and experienced every day over the past decade at PCO in China and the research I have

undertaken, I am able to add to the existing body of knowledge verification of existing theory and new insights so that other businesses in China can learn from and the academics can reference the information in their future research. Langeveld (1965) as cited in Bell (2010: p. 584/4416) suggests that, the aim of social research is not only “to know facts and to understand relations for the sake of knowledge. We want to know and understand in order to be able to act and act better than we did before”.

Writing the thesis has given me an opportunity to review the MVWS business model and PCO in greater depth than ever before. I also understand more about how PCO performs in the Internet industry in China. For the first time, I will be able to view it from a different perspective that I was previously unable to see. It has also helped me to rethink our strategies and how I should position PCO in order to survive and be successful in the fast changing Internet industry. My initial belief that the MVWS business model should work was based on two factors: (1) I should be able to share cost or resources including talent so that I would have better synergy compared to those companies who operate a single vertical web site; (2) I should be able to develop deeper and more complete information content compared to that of portal web sites. However, my findings in this research project have shown that this is not the case. I have to modify the organisational structure and try to make the necessary changes to address the problems and challenges currently facing PCO. As a key initiative to resolve them, I have submitted a report to the PCO Board as shown in Appendix 1 with my recommended actions that stem from the findings of this research project. This will be a continuous process as I progress and make the changes. From this research project, I have also learned that I have to provide deeper and more complete information content in the vertical web sites in order to increase the

barriers for entry from new entrants or to make it harder for our competitors to copy our products and services. Additionally, unless I can work out the solution for our business units to share resources and collaborate, I will not have the cost advantages from MVWS when compared with our vertical web site competitors. Also, without the ability to develop deeper content, I will not have the competitive edge I need. One other key lesson I have learned from this research project is that I will need to assess the market conditions and our options regularly and more frequently, especially since PCO is in the Internet business in China. This Work-Based Learning research study has indeed been valuable for me as it has allowed me to pause and think through the issues, problems and solutions I need to consider if I am to build PCO to the next level.

Chapter 10 PERSONAL REFLECTIONS

On October 19, 1987, which is also known as Black Monday, I was in Hong Kong. The Dow Jones Industrial Average (DJIA) shed 508 points to 1,738, the biggest one-day percentage drop (22.61%) since 1914, followed by the crash of all the stock markets in the world. I lost all the money I had accumulated over the past few years and so did my clients, colleagues and friends. I remember people were panicking as they tried to sell everything; many of them needed to liquidate their holdings. I was lost but still tried to comfort my clients and stay afloat myself. I was young and fearless, but I began to question my ability in the investment banking field. Before the market crash, it had seemed that nothing could go wrong. We, as investment bankers, are supposed to be aware of the downside of the stock market and yet we were so used to riding on the upsurge of the wave that we had forgotten that a downturn is an equal certainty.

While continuing with my career and rebuilding personal wealth, the 1987 crash is always fresh on my mind to reflect upon. Through my reflections, I have come up with three major changes related to the attitude towards my career, investment and life, which are: (1) I turned conservative and vowed that I would never take on more risk than I could afford and, I always try to understand the potential risks in my investment and limit them to an acceptable level that would not destroy my life; (2) Great investment opportunities always present themselves after a major crisis such as the 1987 stock market crash, the 2003 SARS epidemic and the 2008 financial crisis. The questions are whether people still have the courage and money to invest. In fact, during the SARS outbreak in 2003, I purchased, on behalf of the Pacific Computer Malls Company Limited, the most number of properties in Shanghai as I was ready to act when these opportunities presented themselves; (3) After the 1987 stock market crash, I began to realise that my character was not suitable for investment banking; I decided I would rather start a business of

interest to me to build. Of course there are risks in any business venture, but I wanted to be able to manage the financial exposure in of my business. Later, when I started the PCO, I used what I learned from my 1987 experience and I established an independent credit control department in PCO with the objective of ensuring that we are dealing with credit worthy customers in order to minimise the financial exposure of the company. This management practice has been strictly adhered to until today.

Although I continued to be an investment banker after the market crash until the early 90's, I had made up my mind to start my own business. In the early 90's, I saw the opportunity when China was opened up for foreign investment, and I wanted to establish a commodity trading company. That decision quickly became the second failure of my career. While staying in Hong Kong, I entrusted my capital to a Chinese partner to secure the commodity trading license. What I eventually got was a "license" but with questionable legality in China. I decided it was time to cut the loss, eliminate any potential liability I might have and I ceased to be involved in any more dealings with the commodity trading company. On reflection, I was careless in trusting the wrong people with my capital and I entered the China market with the wrong business for myself.

After my failed attempt to build the commodity trading company in China, I was in some financial difficulty and my family of four had to move to a studio flat to save money. However, despite the second experience of loss, my belief that there were plenty of good business opportunities in China had not been shaken. On the contrary, I learned from my mistakes in both episodes and continued to search for the right opportunity to start my own business in China. When I saw the increasing demand for personal computers in China back in 1993, I wanted to build the IT malls in all the major cities in China. I then raised enough funds with my friends and business associates and established the Pacific Computer Malls Company Limited in 1994. By 2005, we had become the

largest computer mall operator in China with 1,500 retail clients and retail properties in Guangzhou, Beijing and Shanghai. I believe my turnaround was due to my perseverance despite repeated failures and my strong belief that there were plenty of good business opportunities in China as long as I could find the right one; and finally, my sheer luck in digging in the right hole.

In 1997, I saw another opportunity to provide the price quotes for computer systems for my 1,500 retail clients, and I began to venture into the Internet business by offering price quote services for my clients. By 1999, I had established the PCO with a single vertical segment, the PConline with specified IT product-related content. In 2002, I realised that a single vertical segment, the PConline, was not enough. As the automotive segment in China could be the next big thing, I established the PCauto web site. Having two verticals in one company was a new concept and the MVWS was the business model used to provide deeper information content to users in order to attract advertisers to place their online advertisements with PCO. For the delivery of the information content to users, MVWS requires the sharing of many company resources such as people, intellectual properties and knowledge among different business units. Since 1998, PCO has been doing well in capturing the market share and we have established ourselves as one of the key players in the online advertising business in China.

When I first thought about the subject of the thesis, 'Sustainability of MVWS in China', I had the notion to study MVWS as a business model for PCO and to explore whether it was a sustainable business model in China. If not, I may be required to modify the business model in order to address the change of business conditions. At the start of this research project, I was mainly thinking about the financial aspects of the MVWS and what our competitors were doing in the market. After reading about the relevant topics, particularly the organisational and cultural issues facing companies in China and reflected

on my own experience, I quickly realised that the many of my challenges and issues in the business were related to the organisational, cultural and people side of the equation. More complete and relevant information content for the web sites is also critical to the MVWS business. As I examine the topics of this thesis further, sharing, cooperation, competition, particularly internal competition and collaboration among business units at PCO are so critical to the MVWS business model for without effective management of employees at PCO and fostering cooperation among the various business units, MVWS would be in limbo at best.

In my first career as an investment banker, I was trained to manage the business using western management philosophy and techniques and my measurement of the business is always financials first. Financials are still very important in the management of business in China but after doing some business in China, such as the management of IT malls in various cities, I realised that Guanxi (relationship) with the governmental departments and business partners was critical. Without good Guanxi, a business plan with good financials could still be a failure. Finding the right business partners in China who are trustworthy is also critical as I learned the hard way when I wanted to start the commodity trading business. My prior experience prepared me well to build PCO in the midst of a period of growing adoption of the Internet in the business-to-business and business-to-consumer market.

When the company went public in 2007, we were in a good financial position to expand our business to reach more users and to hire more employees to improve on our content development and distribution. Today, it is not hard to see the kind of challenges and issues I face in PCO. I personally am spending about 40% of my time dealing with personnel related issues at PCO. This is far more time than I used to spend in the past. One reason for this is that the expectation of our employees is different from the past;

worse still; their expectation is not necessarily aligned with the vision and mission of the company.

Applying what I have discovered in this social study is clearly of value to PCO. At a minimum, it will help me to communicate to my management the importance of cooperative goals and the value of cooperative conflict management. There is no guarantee that I can get the desired results by applying what I have learnt but since the findings are grounded with the results of five of the recent research studies conducted in China and the Theory of Cooperation and Competition that has stood the test of time with a history of over sixty-five years of research studies and refinements by many academics and scholars, I have a heightened sense of confidence in what I have observed at PCO and the findings of the research project provide an excellent position from which to continue to explore and implement.

Chinese culture is a complex subject; it is not easy to take just one aspect of it and try to understand the behaviour of the Chinese people. Guanxi, for example, can be the only factor needed to complete a business transaction or it can be just another added criterion in the business evaluation. As Guanxi is practised in a company, it can add to the spirit of cooperation among employees and of course this should be encouraged as long as it does not preclude other employees who do not have the necessary Guanxi. This again is a balancing act and cannot be something I can just institutionalise across the company. In other words, employees have to decide for themselves what make sense according to their situations. Nevertheless, Guanxi is unquestionably an important factor to consider when doing business in China.

A few months ago, I wrote to Eric Felton and asked him for his view on the subject 'the Sustainability of PCO using the MVWS business model'. Eric is a graduate from Harvard University and he knows PCO quite well as he was an early investor in the

company. Presently, he manages a hedge fund on high tech companies in Beijing. I have included his reply in its original form in Appendix 2. Essentially, Eric's perspective is that the use of mobile devices to access information on the web is here and PCO will have to do more to maintain its leadership position in the vertical segments we serve. Moreover, social networking has increasingly become the preferred channel for users to get information on the products they want to purchase. These users want opinions from their friends and those they know. It is not surprising to see advertisers have already increased their advertising budget in the social media and mobile market. For PCO to have a sustainable business model, our information content and services must be tailored for these emerging markets in parallel with our current Internet distribution channel. Some strategic partnerships and alliances may also be needed in order to enhance PCO's capability in the social media space. Our competitors also know about these requirements so social media may be one place where advertisers, users and PCO will meet in the future.

On reflection, the one question that often comes to my mind is whether or not PCO would be better off as six single vertical web sites, with each vertical web site pursuing the business and marketplace alone. In such a scenario, when collaboration is required, these single vertical web sites would be free to choose the strategic partners with whom they wish to collaborate. In other words, is it better to break up PCO into different single vertical web sites so that each has the autonomy with its target segment using whatever strategy they see fit? I must say these ideas have always crossed my mind. However, I am also aware of the decision Lou Gerstner made after he became the Chairman and CEO of IBM. At the time he took over the position at IBM, the company was in poor financial shape and the rumour that IBM was pursuing a strategy of breaking up the company into independent operating units was real. After much soul searching and particularly talking to IBM customers globally, Gerstner decided that the maximum value IBM could give their customers would be to have IBM operating as one company. In other words,

breaking up IBM into many independent units was not considered to be to the best interest of the customers or IBM. Thus, Gerstner later pursued an integrated strategy for IBM across different operating units. He eventually turned IBM around, and the turnaround story of IBM has become a classic success story in global business today.

If IBM could overcome the many issues facing the company at that time, could I do the same? Back then, many of IBM's issues were related to people; these issues were related to cultural factors such as believing that the old ways of doing business were the best or related to organisational elements such as clinging to power which was considered most important even though the company was losing money. I believe I will have to know how to resolve the issues related to people and the organisation at PCO in order for me to overcome the barriers such as the unwillingness to share and unwillingness to collaborate. I am also aware that people and organisational issues in China are very different from those in western countries and these people and the organisational issues may not be something that can be resolved with just strategy and plans. Thus, I think more social science research studies will be necessary to investigate the causes and solutions for the topics discussed in this research project. As I reflect on my years at PCO, I cannot help but think about the mistakes I may have made during the time I have been running PCO. Have I focused too much on the business aspect of the company and not spent enough effort on cultivating a business culture which fosters sharing and collaboration among the business units? Should I change my leadership style? PCO is at a crossroad right now and for sure, not all roads will lead to Rome. As I ponder and evaluate my options, one thing I am sure of, is that "change is certain". In the past decade, I have responded to change rather swiftly and addressed the market needs responsively. In the next five years, what guarantee do I have of being able to have a repeat performance or an improved one, and to lead the pack in the market and set the trend for PCO as an Internet Media company in China? I would venture to say that the market is not very forgiving; a few poor business

judgements and errors could cause the company to take a sudden turn to disaster. Maybe this is normal for business people to be on the vanguard, but I have to be sure that those who work at PCO share my vision.

It is not by accident that my research project has led me to topics regarding organisational and social issues, collaboration among business units, the interdependence theory of “cooperation and competition” and the various research studies in China in support of the interdependence theory. By studying these topics, not only have I gained a lot of knowledge and insights that could help my personal growth, but I have also been provided with a framework to assess the conflicts between employees in different verticals at PCO to understand the real issues involved. As a result, I have many discussions and meetings with my managers and have made a number of changes to my leadership practice and PCO. For example, I listen more to my management and staff and keep an open mind in making major decisions on PCO matters. Previously, I was more pragmatic and seldom took everybody’s ideas into consideration. I also make provision for each vertical to select the methods and products they want to develop on their website; giving them more autonomy and authority to pursue the right strategy for their website. In each vertical, as shared goals among the management in each website are important to our success, I have instituted a shared commission programme between the sales and production units. Before, only sales management and staff would get paid by commission. This way, members from the sales and production teams cooperate more readily including making joint calls with our customers. I have also made changes to the accounting system so that I have a better picture of how each vertical is doing; in other words, I treat each of the verticals as a profit centre and hold the General Manager accountable for the decisions and results he/she makes. For example, if he/she wants to invest in mobile technology for certain products and the results do not turn out as he/she predicts, it will show up in his/her Profit/Loss report and he/she would be compensated

accordingly. On the overall management side, I have set up a management committee and the members are heads of each of the verticals and functions. I want to have shared power with my management in the direction of PCO with a three year planning horizon. Most recently, I also implemented a profit sharing scheme with my senior management team. Their performance will be tied to the performance bonus and share option. This would also give them a share of the success of the PCO with no uncertain terms.

With all the changes that have taken place in the past three months, there are issues to be considered too. For example, as I started to implement the profit sharing scheme, there are managers and staff who are not included as I needed to do this step-by-step. Treating each of PCO's employees fairly in the compensation and reward schemes has to be considered carefully. Furthermore, as previously discussed, each of the verticals move at different speeds and their growth potential can be substantially different; hence, striking a balance in resource allocations among verticals is still difficult. I think more studies on the subject and discussions with my managers will help me to discover solutions to the problems.

What I have discovered in this research project is the tip of the iceberg; and like an iceberg, only about one eighth of it can be seen above the water. The remaining seven eighths are like the organisational and cultural issues discussed in this research project, which are submerged due to the weight distribution of these issues themselves. I am looking forward to knowing that my research in these topics is of value to PCO, the business community and academics. This social study has helped me as a practitioner and manager to realise the value of the Work Based Learning programme offered by Middlesex University. Thus, I have found my research study highly applicable to my work. I also hope that, through the personal reflections of what I have experienced in my career, readers could be led to draw conclusions based on their own unique experience.

Chapter 11 BIBLIOGRAPHY

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Chapter 12 APPENDIXES

12.1 Appendix 1 – Report to the Pacific Online Limited’s Board

Sustainability of the Pacific Online Limited (PCO) as a provider of the Multiple Vertical Web Sites (MVWS) in China

Report submitted to the Pacific Online Limited (PCO) Board

By Lam Wai Yan, Chairman & CEO

October 15, 2013

FINDINGS OF MY RESEARCH PROJECT

Intense competition in our business is a given situation as our competitors are going after the market share of the viewership and their share of the online advertising revenue of our advertisers. Recognising the limitations of portals to deliver deeper information content and Sohu.com's strategy to set up the organisation needed for the vertical web site for games, as far back as 2007, Sohu has separated their online game development and operation, Changyou.com, which went public in 2009.

When I established my business back in 1999 I only had a single vertical web site, PCOnline. Later on, I adopted the MVWS business model in 2002 with PCOnline and PCauto. By 2007, PCO has evolved into six vertical web sites and the MVWS has served our users and advertisers well. We were able to gain market share and optimize our costs and resource utilization in product development, distribution of information content and to a lesser degree in sales and marketing.

At present, I am faced with increasing challenges in motivating my employees with a competitive reward scheme. The innovation and advances in mobile devices, for example, also threaten the traditional media, i.e. internet access using PCs. The latter requires more rapid product development specialised for the different vertical web sites. The organisational and cultural aspects of our predominantly younger Chinese generation must also be taken into consideration in light of all the changes that are taking place at PCO and in the market.

It is no accident that I selected "The Sustainability of PCO as the MVWS in China" as my research topic for my Work Based Learning at the Middlesex University. Many of the findings with my research project in the sustainability of MVWS for PCO also support the recommendations I am proposing in this report. Specifically, (1) I have to tailor

different reward schemes for our employees in different vertical web sites as the maturity and growth potential of business units at PCO are at different stages and require different strategy. (2) We have to encourage the sharing of knowledge across business units. (3) Today, we have high employee turnover. Even though this is quite common in our industry in China, we have to do a better job to keep our talented employees by providing career opportunities and advancements so that we could be more able to motivate and keep them. (4) We have to develop deeper information content and services in order to match PCO's user's needs and lifestyles. By analysing information on our user base, we could address the needs of users based on interest according to their lifestyles and life events such as decorating their homes, buying a home, buying a car, having a baby, dressing up and looking trendy and fashionable, buying or upgrading their computers or playing the latest games online.

RECOMMENDED ACTIONS

(1) Establish a separate company for PClady to motivate management in order to accelerate the growth of the business

As a result of my research, I am convinced the time has come for PCO to motivate our employees using different reward schemes as appropriate. This would require the reorganisation of selected business unit. I understand the reorganisation of PCO is an important milestone for PCO and is a serious matter requiring much discussion and planning. This is also a continuous process and I have to modify the plan based on the feedback from my management and employees, and the market conditions. Initially, as a first step, I am proposing to set up the PClady formally as an independent business unit, and put the contents, sales and marketing under one general manager. I will need to set up

the accounting and management system to monitor their performance and cost as well. PClady has a high growth potential and requires a lot of unique resources in the development of products. Also, as the target audience is different from other market segment such as PCgames and POnline, the sale and marketing function in the ladies' fashion business, for example, is substantially different as well.

As a second step, I will set the management of PClady their reward and bonus schemes based on the profits the independent business units generate. However, PClady as an independent business unit still shares the common platform for the back office operation such accounting, financial management, credit control and IT development.

Additionally, I will try to propose to the Board to set up a completely separate company for the PClady web site in which the management team will be awarded shares of this company if they meet the agreed targets and criteria. In other words, the management team is motivated to develop the business like their own business and be compensated for their efforts. The establishment of this separate company for PClady would be considered as an experiment, a test case, so I can evaluate the impact to PCO's business in a year, I will also discuss my plans for other vertical web sites as I learn more from the outcome of this strategy.

(2) Making knowledge sharing as the normal practice of business among employees within and across business units; using individual performance emphasis as mean to establish cooperative goals

PCO will have to provide both incentives and platform to enable employees to share their knowledge. Knowledge management is more than sharing the know-how; it also involves the creation of intellectual property and the application of the PCO's assets and

resources timely in order to compete in the market place effectively and efficiently. Currently, I have some training classes to encourage employees to share their knowledge. For example, photographers from PClady have conducted training classes for other business units and have received good feedback. Our knowledge management has to go much further to include customer relationship, sales leads, tools and what are in and what are out in the industry.

I would like to convene a study group to identify key areas which are candidates for business units to cooperative and collaborate. My objective is to set up the cooperative goals with individual performance emphasis for the employees to cooperate and collaborate. To the extent possible, I would also like to establish agreements between business units, much like we do in business with our partners and other companies, so that the goals and rewards are clear to all concerned. I intend to formalise the knowledge management process at PCO by January, 2014.

(3) Deliver quality and deeper information content - the need for specialisation

Our users have become more sophisticated and their demand and expectation for the quality of our products and services have also increased. Specialisation has become the norm not the exception. In other words, I want to keep my talented employees who understand the industry and have the capability to deliver the information content timely and in high quality. Editorial staffs play a major role in the content production and distribution. Our sales staffs must also utilize the effective tools and capabilities such as social media to reach our target users. Event marketing can only be possible if we know when such events such as marriages, going to universities, buying cars or homes from our users would take place. To be effective in our marketing to these users, deeper

information content means relevant information content to meet their users' needs and expectations.

In addressing the requirement for building deeper information content for our web sites, I would like to induce users from one vertical web site to use or migrate to other web sites at PCO when there are needs and opportunities. For example, when users in PCgames need new computer systems or accessories for their games, they would browse through PConline for computer products. Through capturing user information and requirements, my goal is to leverage the knowledge gained from different verticals to serve PCO's users base and expand PCO's businesses all my verticals. Again, we must have a fair reward system so that when PCO wins, all participants who contribute to the effort also win.

In summary, as I develop the business using the MVWS business model, cooperative goals are required to motivate our employees to share their knowledge and business opportunities across the business units; this will have to be implemented with the reorganisation. Additionally, as various business units are in different stages of business maturity and growth potential, I will need to use different reward and bonus schemes for the management team in individual business unit. I cannot accomplish PCO's business goals without the reorganisation of the vertical web sites into independent business units. After all, I am playing catch up game with some of my major competitors in this space. Finally, in the sustainability of the PCO using MVWS business model, I have to leverage the knowledge acquired across the business units for marketing and continue to use the common back office operation in financial management, accounting, credit control and Research and Development (R&D) to achieve the synergy and collaboration required for cost efficiency and risk management. In other words, I will continue to require all the

verticals to contribute in the knowledge management system and use the shared services and leverage the synergism that MVWS provides in order to maintain the quality and cost advantage we have over the single vertical web sites.

12.2 Appendix 2 – Response from Eric Felton on 12th July, 2013

Introduction

Current situation – company’s success in multi-vertical model and strong performance of the business; but significant challenges on the horizon, most notably market movement to from destination web sites to social and mobile web services, a fundamental change in consumer communication and media consumption. Also, increasingly difficult for company to sustain competitive edge versus more focused competitors as PCO’s scope expands to include more verticals. Realizing need to continually evolve and develop the company’s culture and capabilities to compete in face of these challenges, I propose three areas of strategic focus and investment to sustain the company’s successful multi-vertical model – investment in social and mobile services that may not yield meaningful revenue for some period of time, institution of corporate discipline and systems to manage its portfolio of vertical businesses including criteria for exiting categories which cannot meet measurable objectives (e.g. #1 or 2 in their segment), and developing corporate development resources in the company enabling more proactive cultivation of alliances with large online and traditional media companies who value the Company’s portfolio of leading vertical properties.

PC Group

PC Group (“PCO” or “The Group”) is one of the leading Internet content providers in the PRC in terms of total advertising revenue. The Group operates five vertically-integrated portals providing content and services to consumers, including PConline which, is the largest portal in the PRC specializing in IT product-related content,

in terms of advertising revenue, and PCauto, which is the second largest portal in the PRC specializing in automobile-related content, in terms of advertising revenue. According to industry practice, the vertically-integrated portals are portals that focus on specific content.

PCO's business model is based on creating and curating content providing online users with product and brand information required to make informed purchasing decisions. The Group's ability to develop useful and differentiated content to facilitate product selection enables the Group to continue to increase its active user base. PCO's large vertical audiences attracts advertisers seeking to influence the purchasing decisions of the Group's highly desirable user base, who in most cases have an intent to purchase when visiting the Group's portals.



The Group has six vertically-integrated portals offering simplified Chinese language content relating to key industries such as IT-related products, automobiles, digital games, women's lifestyle-related topics, and parenting-related issues. These consumer products-related industries offer significant growth potential in China's growing

economy, which in turn drive advertising demand on the Group's portals. These six vertical portals are listed below:

POnline (www.pconline.com.cn), PCauto(www.pcauto.com.cn),

PCgames (www.pcgames.com.cn), PClady (www.pclady.com.cn),

PCbaby (www.pcbaby.com.cn) and PChouse (www.pchouse.com.cn).

The content and services offered on the five portals are tailored to the specific interests and needs of targeted consumer groups. For example, POnline, PCO's IT-related vertical, has approximately 30 main content "channels," and a variety of web-based communication tools and services. Each channel consists of guides and directories providing useful category and product purchase information. Each of the main channels contains multi-level sub-channels that cover a wide range of topics including product reviews, product comparisons, store locations and product prices. Channels also include chat rooms, free downloads and special interest clubs.

Plan for Sustaining Profitable Growth

Social/Mobile Leadership – PCO has prioritized investment in social mobile services. In 2010, the company took a serious look at acquiring a location-based mobile commerce service, but determined ultimately not a good team fit.

In early 2012, the company launched three mobile apps for its PCauto, PClady and PChome services.

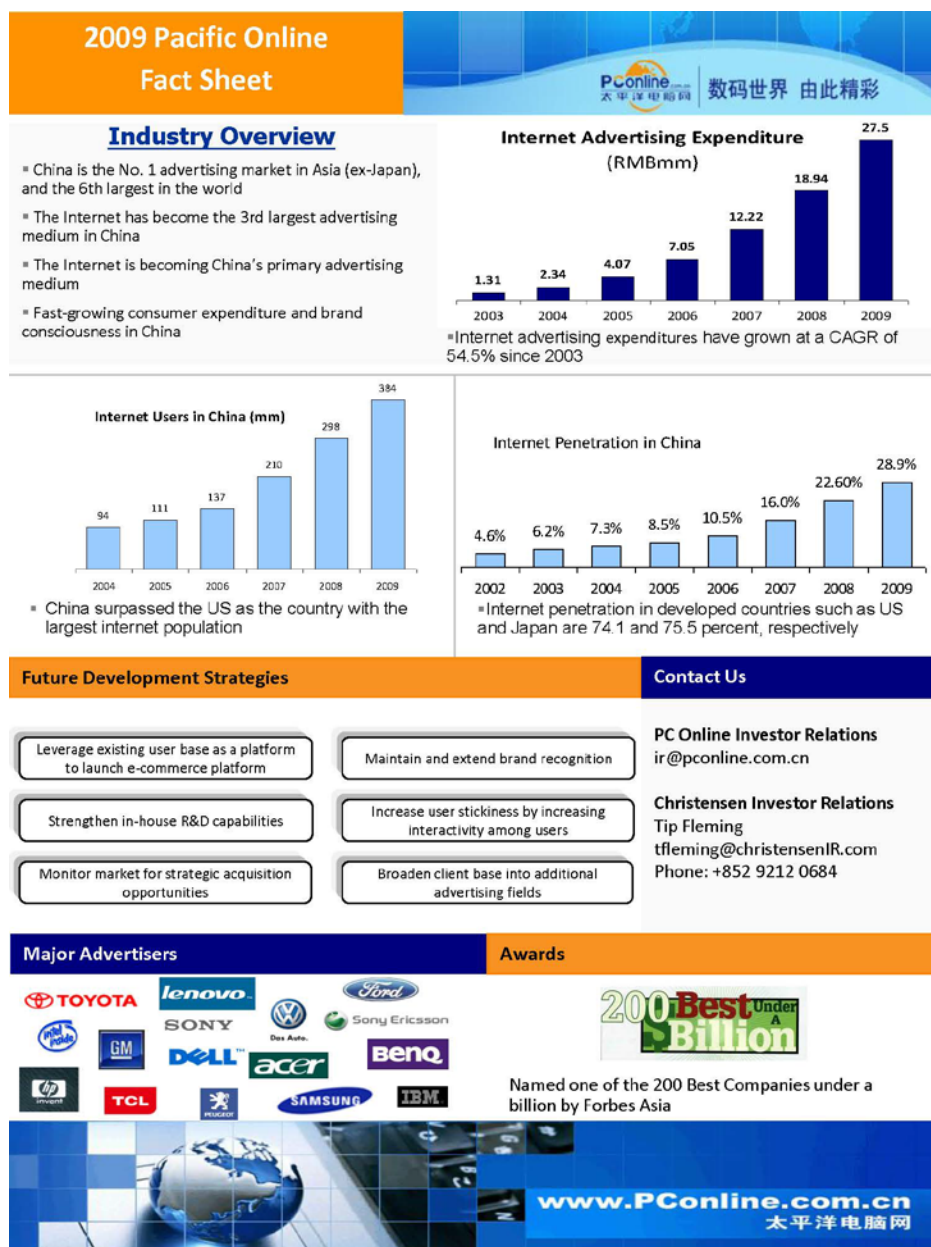
PCO has long featured community-oriented features to engage its vertical audiences, such as chat and bulletin boards. For 2013, the company will be exploring how best to integrate major social networking tools and services such as Weibo, RenRen and QQ to enable PCO users to share easily links to PCO content to their networks.

Portfolio Management Model & Systems – PCO continues to institute process and systems to measure business unit performance and make resource allocation decisions across portfolio of vertical properties. This includes criteria for identifying verticals for potential investment/expansion and exit decisions.

Corporate Development Resources – PCO continues to enhance company's expertise in cultivating awareness and business ties with potential online and offline media partners interested in the breadth and depth of PCO's vertical businesses. These partnerships will enhance competitive position within the verticals and establish stronger foundation for PCO realise exit opportunities for vertical businesses and possibly even the company at the right time and price.

Relatedly, PCO will also allocate more time and attention to managing relations with investment analyst community. As market growth beings to mature and consolidation occurs, the company's market valuation and visibility can play an important role as it manages and seeks to maximize the value of its portfolio of businesses.

12.3 Appendix 3 – 2009/10 Pacific Online Fact Sheets



2010 Pacific Online Fact Sheet

Market Information

HKSE Ticker	543
Share Price	\$3.16
Total Shares Outstanding (mm)	975
Free Float (%)	34
Market Cap (HKD bn)	3.08

Company Profile

Pacific Online is a leading Internet content provider in China. The Group operates five vertically-integrated portals, including PConline and PCauto, which are the largest portals in the PRC specializing in consumer electronics and automobile-related content.

Unique Portals Tailored for the Needs of Target Viewers

- #1 IT related portal in China
- Comprehensive information on IT products
- Information on prices, industry trends, product reviews

- #1 auto and auto related portal in China
- Comprehensive information on domestic and international vehicles
- Brand reviews, testing services
- Information on road tests, price quotes, parts and accessories

- #2 game related portal in China
- Comprehensive information on game industry and trends
- Provides reviews and demo versions of popular games

- #3 parenting related portal in China
- Comprehensive information on pregnancy, family, infant care
- Picture posting and sharing

- #3 women's lifestyle related portal in China
- Comprehensive information on beauty, life, love, fashion, home, health

Revenues (RMB 000's)

Year	Revenues (RMB 000's)
2007	237
2008	325
2009	387
1H10	203

Net Profits (RMB 000's)

Year	Net Profits (RMB 000's)
2007	91
2008	88
2009	135
1H10	73

**The decrease in 2008 net profits was due to a foreign exchange loss associated with the depreciation of HK/USD cash

Financial Highlights

In RMB (000's)	2009	2008	1H2010	2H2009	1H2009
Net Revenues	387.0	324.6	202.6	245.12	141.8
Operating Income	177.9	137.5	78.5	126.7	51.3
Net Income	135.0	88.3	72.9	90.6	44.4
Basic EPS	.15	.09	7.5	-4.7	4.8
Current Assets	579.8	742.3	543.1	130.0	449.7
Current Liabilities	123.2	86.8	95.0	48.7	74.5
Cash	409.3	582.9	228.3	166.2	243.1
Total Debt	0.0	0.0	0.0	0.0	0.0

Investment Highlights

- Leading vertically integrated portal in China
- Advertising of IT-related products, automobiles, communications services and consumer electronics account for over 50% of Internet advertising market in China
- Well-positioned to capitalize on the growing internet advertising market in China
- Robust and diverse client base
- Large and valuable user base with highly recognized brand name
- Strong in-house research and development capabilities with highly experience management team
- Outstanding and stable earnings growth
- Strong capital structure positioned to fund growth strategies

Revenue Breakdown

In RMB (000's)	2009	2008	Growth
PC Online	205,390	198,108	3.7%
PC Auto	149,860	107,554	39.3%
Other Portals	31,744	18,946	67.6%